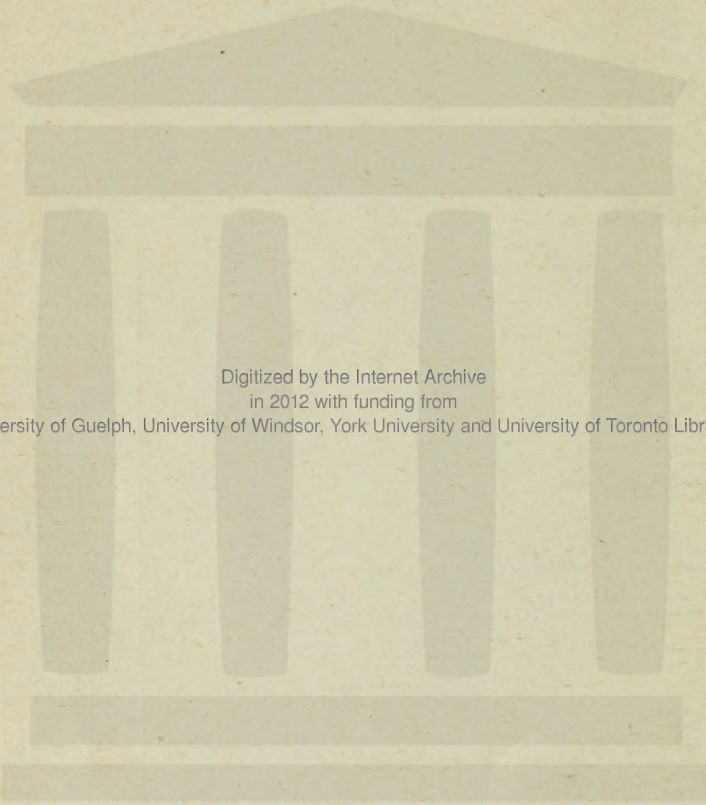


BUDGET SPEECHES
1924 - 5 - 6
REPORT
TO THE
PROVINCIAL TREASURER
ON
PLAN OF RETIREMENT
OF THE
PROVINCIAL DEBT OF ONTARIO
PRICE

CA2ΦNTR

B82



Digitized by the Internet Archive
in 2012 with funding from
University of Guelph, University of Windsor, York University and University of Toronto Libraries

Financial Statement

OF

THE HON. WILLIAM H. PRICE

Treasurer of the Province of Ontario

DELIVERED IN THE
LEGISLATIVE ASSEMBLY OF ONTARIO

ON THE

11th MARCH, 1926

On moving the House into Committee of Supply

PRINTED BY ORDER OF
THE LEGISLATIVE ASSEMBLY OF ONTARIO



ONTARIO

TORONTO

Printed and Published by Clarkson W. James, Printer to the King's Most
Excellent Majesty

1926

PRODUCED BY
The United Dress



BUDGET ADDRESS

DELIVERED BY

HON. WILLIAM H. PRICE, K.C.

Treasurer of the Province of Ontario,
March 11th, 1926.

MR. SPEAKER: I rise to move that you do now leave the chair and permit this House to resolve itself into a Committee of Supply. Before this motion is carried, however, I desire to make some observations on the general financial position of the Province for the past fiscal year, and at the same time indicate the future probabilities.

The House is fortunate indeed each Session when it meets to transact the business of the Province if it finds that death has made no gaps in its membership.

THE LATE SIR ADAM BECK

Since we last met, the Province and this House has sustained a very severe loss owing to the passing of Sir Adam Beck, formerly representing the constituency of London. There is nothing that I can say here to-day that will add to the outstanding accomplishments of Sir Adam Beck. He was a protagonist for cheap power and light. He battled all the way for what he thought was right, and has given to the Province a monument which in all probability will never be again equalled. The House did well to adjourn as a tribute to his memory and to his great accomplishments. I will not say more at this stage on matters pertaining to the Hydro-Electric Power Commission, as I propose to make some observations on the financial aspect of the Hydro before taking my seat.

Sir Adam Beck typified the public servant who is prepared to go out and fight in political life and to go throughout the country to demonstrate to the public that he was right in his action and what he attempted to attain. From him let us pass to another great public servant, a man of an entirely

different disposition who did his work well in a lesser position. I refer to the late Clerk of the House, Mr. A. H. Sydere. His service was very exemplary. He adorned the position to which he was called. These two men in different stations of life accomplished great things in their own spheres, and left a record which young men of our country would do well to emulate.

THE PUBLIC ACCOUNTS

The Provincial Auditor and the Financial Controller, in co-operation with the various Departments, have been making a great number of improvements in the form of the Public Accounts and in the material therein contained. This year the size of the volume has been maintained at what it was last year. Time has been taken to prepare a more extended index. In last year's index we had about 700 items. This year it has increased to about 1,200. I hope that Honourable Members will appreciate the improved index.

The various statements included in the forepart of the volume have been very much improved. I would refer particularly to statement of Consolidated Revenue Fund, and that of Revenue and Expenditure, both in Capital and Ordinary. This volume of Public Accounts contains a new tabulation—an interest account. The receipt of Hydro Interest is placed in this account and thereby divorced from any one Department. One will also observe that there is a special index to Expenditure Statements and that Capital Receipts and Payments of an income-producing or realizable nature have been segregated in separate classification,—“Loans and Special Funds.”

Honourable Members will, no doubt, see other improvements, but I desire to point out a few as an index of what is being accomplished.

EARLY FINANCIAL STATEMENT

This year the Treasury Department followed the custom inaugurated for the first time in 1924 and issued an early statement of the financial affairs of the Province. This statement, as has been already stated, went further afield than we were able to go in 1924. In fact, we gave this year in addition to that of Ordinary Revenue and Expenditure a

statement of the Capital Revenue and Expenditure. This delayed our statement a little longer, but I am quite sure that it gave the public and Members very valuable information. On account of this information having been given shortly after the close of the last fiscal year, I do not propose to repeat what I said at that time, but rather refer Honourable Members to the statement then issued, which has been brought up to date.

I desire, however, to point out that it is a fairly difficult thing to give an accurate presentation of the business affairs of the Province so soon after the close of the fiscal year. A great many of the returns upon which the Provincial Auditor, as well as the Treasury Department, must depend do not come in from the various Government Offices situated in Northern Ontario, as well as Southern Ontario, until the first of December. Where Government works are being constructed in outlying places, payrolls and immediate purchases must be handled by the accountable warrant method. In order to be anywhere near accurate, one must wait for the return of these warrants and know how much has been spent on them. There is also the adjustment of interest on the various Banks throughout the Province, in New York and in Great Britain, and it makes it almost impossible to get anything exactly accurate within so short a period.

I have, therefore, in issuing a statement following the close of the fiscal year, always stated that the figures were only approximately correct. I have been gratified to know that the Department works so well that in the receipt and payment of about \$200,000,000 in a year there has only been a very slight variance when the final figures were available.

Criticism by Opposition:

I have heard some criticism this year in the House about the Public Accounts not being available sooner. I am sure any Honourable Member in making that criticism has forgotten the statement that was issued shortly after the end of the fiscal year. They have also forgotten what has transpired in previous years, and the fact, no doubt, that Public Accounts were distributed more widely last year than ever before—that, contemporaneously with the delivery of the

Public Accounts in the House, they were sent out to the press of the Province, including the weekly Press. That, for the first time in the history of the Province, the press had the opportunity of going to their Public Accounts and ascertaining whether the statements of the Government or the Opposition were correct.

I notice that in the year 1922, the House opened on February 14th, and the Public Accounts were brought down on March 14th; in 1923 on January 23rd and the Public Accounts were brought down on February 20th; in 1924, the House opened on February 6th and the Public Accounts were presented on February 19th, and in 1925, the House opened on February 10th and the Public Accounts were brought down on March 5th. This year it will be seen that we are practically on the same basis as had been adopted in previous years. (See Statement, "A," page 48.)

It would be comparatively easy to bring down the Public Accounts somewhat sooner, but for the fact that with the improvements in many of the statements you cannot have correct figures until all the returns are before the Auditor. If one is to choose between bringing the Public Accounts down within a few days after the opening of the House, at the same time eliminating some of the improvements that we are gradually making in the formation of the Public Accounts, then I am afraid that the Public Accounts will have to be delayed in order to give sufficient time for the officers in the Department to accomplish these reformatations.

Practice in the Dominion and other Provinces

Few Provinces in Canada bring down the Public Accounts within such a short period after the close of the fiscal year. In Ottawa, the fiscal year closes on March 31st. The House generally meets in January of the following year and sometimes not until February. This means that the Department at Ottawa has from nine to twelve months to get their Accounts in shape and have them properly presented to the House, compared with our three months. The Sessions in the various Provinces are usually held in January or February of each year, occasionally the House meets in December. It is interesting to know that the fiscal year in the various Provinces closes as follows:

British Columbia.....	Mar. 31st
Saskatchewan.....	April 30th
Quebec.....	June 30th
Nova Scotia.....	Sept. 30th
New Brunswick.....	Oct. 31st
Manitoba.....	Nov. 30th
Alberta.....	Dec. 31st
Prince Edward Island.....	Dec. 31st

In view of these facts, I want to say to Honourable Members of the House, do you not think that the Province of Ontario is doing pretty well to get its Public Accounts ready and have improvements made within so short a time?

CONSOLIDATED REVENUE FUND

Heretofore it has been the practice to give a statement which showed everything that had been paid in and checked out of the Consolidated Revenue Fund.

The Consolidated Revenue Fund, as stated in my address last year, is actually the money box of the Province. The receipts and expenditures might very well be divided into three classes:

1. Ordinary.
2. Capital.
3. Refunding moneys.

The first two of these explain themselves, but the third probably needs a little explanation. If a Provincial Loan falls due during the year, than the practice has been to retire it by placing a new issue, for example: If the loan maturing were for \$20,000,000, then a new loan for \$20,000,000 would have to be sold. The money, however, would be paid out to retire the old issue. Actually speaking, it is only a cross-entry in the Consolidated Revenue Fund. It does not come within the category of ordinary revenue nor is it new capital. As long as these large sums raised for the purpose of paying off maturing loans were put in as a part of the capital revenue and capital expenditure, the public were not given an accurate viewpoint of the business transacted by the Province during the year.

I have accordingly this year had the Consolidated Revenue Fund divided. If you will look at Statement No. 1, pages 10 and 11, in the upper part you will see that the revenue and expenditure are dealt with. It gives you the new revenue and expenditure both in ordinary and capital for the year. The lower part of the statement gives an account of all moneys

paid in and out of the Fund. I think this statement will go a long way to make the financing of the Province clear to Honourable Members.

As I have heretofore commented on the ordinary and capital expenditure of the Province and pointed out the improvement in both, it is unnecessary for me to further dilate on what has been accomplished.

I would like, however, to point to the Consolidated Revenue Fund. We have tried this year somewhat closer financing than at any time in the past. Often at the end of the fiscal year there has been anywhere from \$15,000,000 to \$20,000,000 in the Treasury. As the year is an arbitrary one, there is very little significance in that fact. We have, however, this year taken advantage of the low rate of interest for short-date money and placed entirely temporary loans. This has enabled us to use the moneys which we had on hand, and, at the same time, to save a considerable amount on our interest rates. Our new money this year being borrowed on a temporary basis, averaged about $4\frac{1}{4}$ per cent. The saving accomplished ran to about \$250,000. Money since that time has gone up and on a temporary basis would probably have averaged $4\frac{1}{2}$ per cent. This has been of considerable advantage to us as it may enable us to go into the money market this year and get money at a lower interest rate than we would have been able to last year.

What I have said concerning the Consolidated Revenue Fund will also apply to Statement No. 1 (b) which gives a comparative statement of capital revenue and expenditure and Statement No. 1c which deals with the public debt and loans in a separate category. This has been adopted because it enables anyone perusing the statement to get a better view of the business of the Province.

ORDINARY REVENUE AND EXPENDITURE

I have referred to the improvement made in the Public Accounts, especially informative statements in the forepart of the volume.

Comparative Statement, 1923-1925:

If Honourable Members will turn to Statement No. 1 (a), page 12, they will see there, put on one sheet of paper, a comprehensive statement of the Ordinary Revenues and

Expenditures for the Province for the years 1923, 1924 and 1925. This statement has been very greatly improved by separating the revenue and expenditure into two parts. The amounts received in interest, as well as the amounts paid out, have been segregated from the general revenues of the Province. This leaves the amount of revenue which has been received from taxation and shows the amount of money paid out by the Province to discharge its ordinary liabilities. Honourable Members will see that this is an absolutely fair way of noting what progress the Province has made in the collection of revenue and the curtailing of expenditure.

In 1923 the Province received.....	\$25,776,320 86
Whereas it paid out.....	35,322,429 67

This means that, exclusive of interest payments and receipts, the Province paid out..... \$9,546,108 81 more than it received.

This was the condition of affairs as far as ordinary revenue was concerned when this Government came into office.

First Year of Present Administration, 1924:

If you will refer to the year 1924, you will see what a great improvement there was made in the collection of revenue and in curtailing expenditure. The figures for that year stand as follows:

Revenue.....	\$30,819,715 23
Expenditure.....	32,692,976 45
Making still a shortage of revenue of.....	\$1,873,261 22

It will be observed that in the year 1924 we were still somewhat short in our revenue.

Second Year of Present Administration, 1925:

If you will turn now to the year 1925, you cannot help but be struck with the tremendous improvement that has been made.

The revenue for 1925 rose to.....	\$36,417,479 84
While the expenditure was.....	34,224,002 72

This actually meant a *surplus* of..... \$2,193,477 12

In short, these figures show that, from the last year of the previous administration, the ordinary revenue of the Province

changed from a deficit of over \$9,500,000 to a surplus of nearly \$2,200,000, a change for the better of over \$11,700,000.

Interest Account:

Honourable Members will readily say if this is so, that we have a surplus of ordinary collectable revenue over expenditure, then how can we still have a deficit of around \$5,000,000? The reason for this is that the interest bill of the Province occasioned by the increase in our debt caused more particularly by the expenditure on roads, which have been non-revenue producing as far as the Province is concerned, has more than counterbalanced what we have otherwise saved.

The lesson of interest payments and interest increases on the public debt of the Province cannot be too well learned, and I desire to set it out so that the Members of the House, and the public generally, will grasp how important it is to in some way deal with our public debt and have it retired over a fixed period of years.

A comparison of the interest payments and receipts over the same period of years will show what a tremendous change there has been.

The expenditure of interest is in respect of our public debt. The revenue comes from the Hydro, the T. & N.O. Railway, The Provincial Housing, the Agricultural Development Board, etc., etc.

Let us analyze the figures as set out in Statement No. 1 (a).

It will be seen that 1923 Interest Expenditure was.....	\$13,510,708 26
Revenue.....	8,333,891 76

This made an Interest Deficit of.....	\$5,176,816 50
---------------------------------------	----------------

1924 Interest Expenditure was.....	\$16,173,592 43
1924 Interest Revenue was.....	9,721,208 42

Interest Deficit.....	\$6,452,384 01
-----------------------	----------------

There will be seen in 1924 the effect of the heavy expenditures in 1923, mostly due to the fact that this Government had to place a loan of \$40,000,000 when it came into office.

1925 Interest Expenditure was.....	\$17,238,175 78
1925 Interest Revenue was.....	10,185,323 67

Our Interest Deficit.....	\$7,052,852 11
---------------------------	----------------

This statement, therefore, shows that the reason for the increase in our interest deficit is that the increase of our public debt has more recently been caused by expenditure on roads, T. & N. O., Northern Ontario, etc., in the main non-revenue producing capital expenditure. At the same time the completion of the Chippawa Development and other Hydro building programmes has meant that the capital expenditure of new interest producing projects has been somewhat lessened.

It is gratifying to see, however, that the result of lower capital expenditure in 1924 has kept down the increase of our net interest bill to about \$600,000, whereas the increase in our interest bill in 1924 over 1923 was about \$1,300,000.

Credit for Improvement:

The interest bill is to a certain extent beyond control, except as it may be altered by reduced capital expenditure. When, however, it comes to the receipts from taxes and the moneys paid out to run the Province for the year, then I think it is fair for the Government to take credit for the improved financial conditions.

Where we collected over \$25,500,000 in 1923 and nearly \$36,500,000 in 1925, the figures speak for themselves. This means an improvement of nearly \$11,000,000 in the collection of revenue. It means an improvement of between \$8,500,000 and \$9,000,000, excluding any new taxation. It means at the same time that this was done without increasing our ordinary expenditure over the year 1923. In fact, our ordinary expenditure is over \$1,000,000 less in 1925 than it was in 1923, notwithstanding the fact that we have had to institute audits, maintain prosecutions, improve administration and rebuild many of the public services, while an intensive collection of revenue was being established. This has been done also at a time when the general business of the country had reached its lowest ebb. If the Province is favoured with improved business, then the revenue of the Province could probably be further increased without putting on new taxation.

Surplus of Revenue Except on Interest:

What I have already stated demonstrates the fact that there has been a steady improvement of revenue. From a

deficit of over \$9,500,000 in 1923, we have now secured a surplus of over \$2,000,000. It is interesting to note that in this particular we have improved over last year over \$4,000,000.

Deficit on Interest Account:

While we are able to point with pride to the achievement of improvement on Revenue Account, we meet with the very reverse when we come to consider our Interest Account. We are paying out about \$2,000,000 more in interest than in 1923 and about \$500,000 over last year. This uncontrollable Interest Account will advance probably at the rate of \$500,000 per year.

GENERAL POLICY OF TREATING ACCOUNTS

When the present Government came into power they adopted an accurate system of Public Accounting and charged a great many things against Ordinary Expenditure that had previously been placed as a part of Capital Expenditure. This was what we advocated in Opposition and this is what we did when we came into power.

This system showed the following deficits—Drury regime:

1920.....	\$2,988,428
1921.....	3,654,114
1922.....	2,662,060
1923.....	15,195,226

Making a total of deficits for the previous Administration of. \$24,499,828

This was a very marked change because it had been claimed that there had been the following surpluses:

1921.....	\$681,789 41
1922.....	1,064,325 26

The present Administration has gone on to still further tighten up the accounting of the Province and quite a number of other items of expenditure have been changed from Capital to Ordinary. This has made it extremely difficult for us to make as good a showing as our efforts entitle us to have. We are proceeding each year to tighten up the clerical machinery of the Province so that public affairs will be administered on an actual business basis. This takes time, inquiry and patience.

Last year's deficit, as Honourable Members know, reached the sum of \$8,468,764.51. This year there is a deficiency in Ordinary Revenue of \$5,107,364.99. These amounts, as all others, include the discount on Loans and Treasury Bills applicable to the year. This has added slightly to the amount which I announced last December.

Comparison with 1922:

In this connection it is interesting to note that if the present Government had framed their Public Accounts on the same basis as the Drury Administration did for 1922, instead of having a deficit to-day of over \$5,000,000, it would have been down to less than \$1,000,000.

Honourable Members who sat in the House during the previous Administration will remember the criticism which the Honourable Member for Kingston, the Honourable Member for Sudbury and other Honourable Members directed against the then Government method of financing. The last Public Accounts which the Drury Government brought before the House were those of 1922. If we had dealt just the same way as they did at that time, then we would have placed this year in Capital Account items totalling over \$4,000,000.

I do not desire at this stage to take the time of the House to go over these items, but I have here available for the Members a statement showing how this works out.

The Government have been gratified indeed to notice the support which its action has received from the leading financial and accounting men, the banks and other business men of the country, in fact from the Press generally.

The Government's Stand Justified:

When it became my duty to bring before the House in my first Budget Address the fact that there was a deficit of over \$15,000,000, and that in the period of the Drury Administration there had been a total deficit of nearly \$25,000,000, I was assailed on all sides by the supporters of the former Administration. Some Honourable Members rose in this House and tried to show that I had made a mistake of over \$11,000,000, and that the deficit as shown was a fictitious one. It was stated in the metropolitan Press that I had done this deliberately to show up the previous Administration and that it

would be found that no such deficit actually existed. We are now on the second Session since this announcement was made, and the statements and figures which I brought down in the House on that occasion stand to-day as then. No one has been able to assail them effectively. Honourable Members of this House, and the Province generally, know to their sorrow that these figures were correct. This inherited condition has made it very difficult for the Government. It would have been a much easier task had we adopted the lines of least resistance, had we temporized, and placed many items in Capital Expenditure that should have gone in Ordinary Expenditure. The task to cut down the deficit and still maintain progress in the various services throughout the Province has been a gigantic one. Every Department of the Government has tried to meet this condition and the success they have made without burdening the public too much with new taxation has been outstanding.

CAPITAL RECEIPTS AND EXPENDITURES—INTEREST REFLECTION

Capital Receipts and Expenditures have in any one year a very direct effect on the amount of interest which must be paid in the succeeding year. If Capital Expenditure is made on revenue-producing services, then it need not be taken into account because always the receipts of interest offset the payments of interest.

I am, however, going to dwell on the Capital Receipts and Expenditures, as indicated in Statement No. 1 (b), and add to the deficit of Capital Revenue the deficit of Ordinary Revenue for the year. This will give us a fairly accurate idea of the amount of the increased capital debt on which the Province must pay interest in the following year out of its Ordinary Revenue.

Below will be found a comparative statement for the years 1923, 1924 and 1925. It will be seen by this that there has been a marked improvement all along the line:

1923:

Capital Expenditure.....	\$25,077,062 57
Capital Revenue (deduct).....	2,496,451 21
Deficit on Capital Account.....	\$22,580,611 36
Deficit on Ordinary Account for the year.....	15,195,226 00
Net addition to Public Debt upon which no interest is received.....	\$37,775,837 36

1924:	
Capital Expenditure.....	\$12,788,268 58
Capital Revenue (deduct).....	4,941,574 53
Deficit on Capital Account.....	\$7,846,694 05
Deficit on Ordinary Account for the year.....	8,468,764 00
Net addition to Public Debt upon which no interest is received.....	\$16,315,458 05
1925:	
Capital Expenditure.....	\$15,025,100 34
Capital Revenue (deduct).....	7,307,088 57
Deficit on Capital Account.....	\$7,718,011 77
Deficit on Ordinary Account for the year.....	5,107,364 99
Net addition to Public Debt upon which no interest is received.....	\$12,825,376 76

The deficiency on Capital Account, plus the deficit in these years adds to our interest bill just in proportion to the amount. This may be considered as follows:

1923 Interest on	\$37,775,837.00 at 5.30 per cent.....	\$2,002,075 00
1924 “	\$16,315,458.00 at 5.30 per cent.....	864,729 00
1925 “	\$12,825,376.00 at 5.30 per cent.....	679,745 00
Total.....		\$3,546,549 00

SUCCESSION-DUTY-FREE BONDS

I am presenting to the House a statement showing the amount of Succession-Duty-Free Bonds which are still outstanding and the amount that had been bought in for Sinking Fund. It will be seen that the dollar bonds issued by the Province, and which are in active circulation in Ontario, amount to \$4,507,000. The Province, through its purchases, has bought in \$5,491,600, which are now a part of its Sinking Fund. In addition to these bonds, the Province has still outstanding certain Sterling Issues domiciled in London, amounting to £275,516 15s. 6d. They have also bought in for their Sinking Fund £215,630 13s. 6d.

The Sterling Issues are not in circulation in Ontario and are not affected as far as Succession Duty matters are concerned as they are subject to Death Duties in England.

In addition to the amounts outstanding, and the amounts in the Sinking Funds of the Province, it will be observed that the Province has redeemed and cancelled \$4,000,000 of Canadian currency bonds and £1,966,694 9s. 11d. of English inscribed stock.

Last year the Province took power by special legislation to secure any Succession-Duty-Free Bonds which might be inventoried in the various estates.

The Province, on the advice of the Financial Controller, did not take up any of these Bonds. The price to be paid for them would only yield the Province a little better than 3 per cent. and money would have to be borrowed to buy in the bonds at an interest rate of 5 per cent. The loss to the Province during the balance of the life of the bonds would probably be more than any saving that could be effected by taking in the bonds. There have, therefore, been no purchases of these bonds this year. As a matter of fact, most of the large estates had none of these bonds inventoried and it would appear that they are very closely held in a few estates of the Province. (See Statement "B," page 49.)

SAVINGS OFFICES

In addressing the House last year, I announced the policy of the Government with regard to the Provincial Savings Offices and the Agricultural Development Board. The primary consideration is that the deposits of the public shall be amply protected and secured. With that idea in view, the Government decided to build up a Reserve Fund both in the Savings Offices and in the Agricultural Development Board. The second factor given consideration was a low rate of interest to the farmer. In consequence of Government policy, farm loans are now being made throughout the Province of Ontario at the rate of $5\frac{1}{2}$ per cent. The policy adopted by the Government in creating a Reserve or Sinking Fund for both these services has been amply rewarded. It is interesting to note that the proposed new Dominion scheme would only give Ontario farmers interest at 7 per cent.

The Savings Offices receive deposits from the public and pay an interest rate of 3 per cent. The province pays the Savings Offices 4 per cent. The result is that these offices must be operated on a margin of 1 per cent. I estimated last year that this operation could be made on probably $\frac{3}{4}$ of 1 per cent. and thereby create a surplus of $\frac{1}{4}$ of 1 per cent. as against any losses incurred from time to time.

This policy worked out so that the Savings Offices have now a surplus of \$100,578.44, as set out on page 58 of the Public Accounts of this year.

During the fiscal year the Savings Offices have written off for depreciation \$24,647. They have still to write off fixtures \$16,433.

It is very encouraging to know that the Savings Offices are now operating and providing a surplus against losses.

Deposits Well Sustained:

In this connection let me say, at the end of this fiscal year the public had on deposit in the Provincial Savings Offices the sum of \$19,220,000. A year ago there was on deposit the sum of \$22,013,000. I consider this a very favourable showing considering the fact that the rate of interest which we allow on deposits for the past fiscal year has been 3 per cent. instead of 4 per cent., and that the Savings Assurance Plan, as far as the Province is concerned, has been abandoned. Both of these changes to a certain extent militated against the increase of savings. On the other hand, this policy has contributed very materially in putting the Savings Offices on a self-sustaining basis. It will be interesting to know in this connection that the months of January and February of this year have shown a steady further increase in deposits, and it is anticipated that from now on there will be a steady increase.

It is also probably interesting to observe at this point that fourteen out of fifteen offices show increased deposits. This is a very healthy condition.

The classes of depositors of the Provincial Savings Offices are as follows:

Under	\$50.00	21,907
Between	50.00 and \$100.00	6,624
"	100.00 and 500.00	16,187
"	500.00 and 1,000.00	4,929
Over	1,000.00	5,412
Total		55,059

HON. MR. RANEY: In view of the fact that I think nearly all Trust Companies pay 4 per cent., and must be able to lend money at a profit, has the Government given consideration to increasing the rate to $3\frac{1}{2}$ per cent?

THE PRIME MINISTER: They pay 5 per cent. on certificate in a Trust Company.

HON. MR. RANEY: On ordinary deposits, four.

HON. MR. PRICE: The Trust Company is in an entirely different position, as my honourable friend must know. We do not do a general banking business. We simply take the deposits, and have to keep them available for checking-out purposes, and at the same time we have to keep them available for the Agricultural Development Board. We do not do a general business like the Trust Companies, and we pay the same rate of interest as the Federal Banks.

Agricultural Development Board:

When one turns to the Agricultural Development Board, we find that the total loans to farmers reach the sum of \$9,584,176 in comparison with \$7,206,442 on loan a year ago.

The policy of creating a Reserve Fund for the Agricultural Development Board has also been placed in operation. It will be observed, however, that the change in the rates of interest, as far as the Agricultural Development Board is concerned, did not take place until June 1st, 1925, and that the Reserve Fund covered only a period of five months.

This reserve of the Agricultural Development Board is built up in two ways:

- (1) The Treasurer pays the Savings Offices at the rate of 4 per cent. and loans it to the Agricultural Development Board at $4\frac{1}{2}$ per cent. This gives $\frac{1}{2}$ of 1 per cent. for the purpose of creating a reserve in the Consolidated Revenue Fund.

This reserve for the five months amounted to \$19,767, which will be found noted on page 58 of the Public Accounts.

- (2) In addition to this reserve kept in the Consolidated Revenue Fund, the Agricultural Development Board have themselves operated at a profit. We loaned to them at $4\frac{1}{2}$ per cent. and they loaned to the farmer at $5\frac{1}{2}$ per cent. This gives them a 1 per cent. margin. Their surplus on operations last year amounted to \$40,909.95. This surplus is retained by themselves, making a total to date of \$56,443.00.

MR. FISHER: Where is that?

HON. MR. PRICE: It is a surplus on operations which they have in their own hands, and they are dealing from time to time and paying out money; that is their own surplus of operations up to the present time.

PROVINCIAL ROADS

Following the practice last year, I am presenting to the House a statement of the money expended on Provincial, County and Township Roads, Colonization Roads and Roads in Northern Ontario for the past eleven years, dating from 1915 to 1925, inclusive. (See Statement "C," page 50.)

I am not going to take the time of the House to analyze this expenditure, as it will be probably covered by my honourable friend the Minister of Public Works and Highways.

It will probably be sufficient to say that during that time we have spent.....	\$110,933,615
We have received back in repayments from counties and townships.....	\$11,204,090
We have received in subsidies from the Dominion Government.....	4,918,599
	<hr/>
Making a total deduction of.....	16,122,689
	<hr/>
This leaves a total net expenditure of.....	\$94,810,926

It will, therefore, be seen that there is a very heavy debt for highways which we should retire over the life of the roads.

In addition, of course, to these sums, there have been other heavy expenditures before 1915. It is quite probable that a great proportion of the work representing this expenditure, prior to 1915, has been wiped out, as the life of the roads built before that period has probably expired.

In estimating last year the amount of money spent on roads and what it cost by way of interest to carry them, I placed the figure at \$4,000,000, estimating a rate of 5 per cent. This figure is entirely too low; in fact, the average rate on most of the loans, which were placed to raise money for the building of our Provincial Highways, was from 5½ per cent. to 6 per cent. Over a considerable period of time with the improved conditions of money, one might make an average rate of interest of 5.30 per cent. If this were taken as a fair rate, the interest on practically \$95,000,000 at that rate would amount to \$5,035,000.

There must be added to this figure the amount chargeable to ordinary expenditure in the Department of Highways, and in addition a fair sum for a Sinking Fund. In judging what would be a fair sum for the Sinking Fund, one must keep in mind that the life of roads will vary anywhere from twenty to thirty years.

Annual Cost of Roads:

The present year's cost of roads should, therefore, read something like this:

Interest on the present net debt at 5.30 per cent.	\$5,035,000 00
Amount charged up to ordinary expenditure on Public Highways.	3,534,911 00
Amount required for Sinking Fund.	2,000,000 00
Total requirements.	<u>\$10,569,911 00</u>

What revenue have we this year strictly attributable to roads and probably offsetting the above requirements?

Motor and Truck License Fees.	\$5,638,933 38
Gasoline Tax.	<u>1,974,434 10</u>
Total Revenue.	\$7,613,427 48
During the last fiscal year we spent.	\$8,569,911 00
And received.	<u>7,613,427 48</u>

about \$1,000,000 short of our road requirements, and at the same time we provided no Sinking Fund.

I am hoping next year that our full year's revenue from the Gasoline Tax will bring us another \$1,400,000, and that the licenses may increase this a further \$300,000. This would leave us \$700,000 to apply on a Sinking Fund. Of course, we must remember that it may be required that there be more expenditure on the maintenance of roads next year as more of the trunk highways are getting old and will require more attention. It will also follow next year that the roads constructed in the present fiscal year will require some repair and attention. It is therefore quite evident that it will be a number of years before we have sufficient revenue to carry our roads and at the same time provide a fair sinking fund to retire the bonded indebtedness.

ROADS IN NORTHERN ONTARIO

In addition to the cost of maintaining our Provincial Highways and Roads in the older parts of Ontario, there are also the roads in Northern Ontario to be similarly maintained. The expenditure by the Northern Ontario Development Branch for this purpose was, in 1924, \$1,086,325.18, and in 1925, \$1,343,750.80.

The total mileage of roads constructed in North and Northwestern Ontario, under Northern and Northwestern Ontario Development Acts, is as follows:

Earth.....	6,253 miles
Gravel.....	8,636 "
Macadam.....	81 "
Bituminous penetration.....	22 "
Concrete.....	8 "
Total.....	15,000 "

and the roads under construction during the fiscal year ended 31st October, 1925, were as follows:

Cut out.....	624 miles
Burned.....	361 "
Stumped and grubbed.....	344 "
Graded.....	373 "
Re-graded.....	2,327 "
Gravelled.....	439 "
Surfaced with crushed rock.....	6 "
Tar penetration.....	7 "

MR. MAGEAU: There was not enough spent in any year.

HON. MR. PRICE: I am glad there is some division of opinion among my honourable friends to the left. I hope, if they do feel there has been a considerable amount spent, they will also feel that it opens up a tremendously wonderful country.

RETIREMENT OF PROVINCIAL DEBT

There is nothing more important than the retirement of the Provincial debt over a fixed period of years. When I brought down the Budget in this House in 1924 and in 1925, I mentioned the fact that the Province should commence to pay off its funded debt and to make such other provisions as might be necessary to create a fund to retire any new loans that might be placed from time to time. The House will easily realize that there is very little warrant for providing for

the retirement of our debt when our deficits were \$15,000,000, or even \$8,000,000. It continued, therefore, to be something for academic discussion rather than for practical application. The Government has, however, given the matter full consideration and is anxious that the public should grasp the importance of any step that should be taken to retire the debt.

Speech Before Canadian Club

After having watched the matter carefully for some time, I announced in a speech before the Canadian Club at Hamilton, in June, 1925, that it was the intention of the Government to put into effect a Sinking Fund Plan at as early a date as the finances of the Province would permit. It was foreshadowed at that time that this plan would involve the payment on principal of about \$3,000,000 a year over forty years. At the end of this period, if we continue to pay the same amount of interest that we do at the present time, and in addition \$3,000,000 off the funded debt, the whole would be retired. I stated at that time that about one-half this amount, namely, \$1,500,000, would be paid by the Hydro to retire their debt, and that the balance, \$1,500,000, would have to come annually from the revenues of the Province.

Special Committee Appointed:

Following the announcement above mentioned, it was felt that on a step of such far-reaching importance the very best advice should be taken. In order to have on the files of the Department a feasible plan that the Province would be justified in bringing into effect, the Government asked the Canadian Bankers' Association and the Canadian Bond Dealers' Association each to name a representative to act with our Financial Controller, Mr. F. M. Turnbull. The result was that in June, 1925, Mr. J. A. C. Kemp was named to represent the Canadian Bankers' Association and Mr. R. A. Daly to represent the Bond Dealers. This Committee, comprised of Messrs. Daly, Kemp and Turnbull, have given the matter their attention for the past eight months and are now about ready to report.

I desire now to bring before the House some of the points bearing on the necessity for some method of retirement of the

debt. The report of the Special Committee, which I expect to be able to bring into the House within the next few days, will give more particular and detailed items, but what I desire now to do is to place before the House in round figures, data and information which can be easily assimilated.

Growth of Revenue and Expenditure:

The revenue and expenditures, both Capital and Ordinary, have increased tremendously during the past decade.

1916—The ordinary revenues and expenditures were each about \$13,000,000.

1919—At the close of the war period, the revenue was about \$20,000,000 and the expenditure \$21,000,000.

1923—At the close of the previous Administration, the revenue was \$34,000,000 and expenditure \$49,000,000.

1925—The revenue stands at over \$46,000,000 and the expenditure at over \$51,000,000.

In the war period there was a special levy on the assessable property of the Province for war purposes which added \$2,000,000 to the revenue and expenditure. In a decade, to have increased the revenue of the Province from \$13,000,000 to \$46,000,000, and the expenditure from \$13,000,000 to \$51,000,000 should give the citizens food for thought.

Increased Debt:

With the mounting heavy expenditures on Ordinary Account, the slipshod methods of accounting where Ordinary Expenditures were continually charged to Capital Account and with the tremendous Capital Expenditure, there was nothing left to do but to raise large sums of money by debentures. Therefore, we have had a tremendous increase of the Provincial debt.

I am giving you a tabulation which will show at a glance what has happened:

1916 —The funded <i>debt</i> stood at.....	\$52,000,000 00
And we paid in <i>interest</i> about.....	2,000,000 00
1919 —The <i>debt</i> stood at.....	81,000,000 00
And we paid in <i>interest</i> about.....	3,000,000 00
1923 —The <i>debt</i> stood at.....	255,000,000 00
And we paid in <i>interest</i> about.....	12,500,000 00
1925 —The <i>debt</i> stood at.....	277,000,000 00
And we paid in <i>interest</i> about.....	15,000,000 00

In each case, of course, there was a floating temporary debt which had not been funded. As a matter of fact, our

total debt to-day, less bonds held in Sinking Fund, runs about \$319,000,000, and the interest paid last year was \$17,250,000.

In 1923, the actual debt was probably \$25,000,000 more, and the interest had reached \$13,500,000.

Present Sinking Funds:

With such a tremendous debt what provision have we made for its retirement?

I am not going into an extensive record of these Sinking Funds except to say that in 1925 they stood as follows:

Hydro-Electric Sinking Fund Investment Deposits.....	\$4,812,000 00
Sterling Inscribed Stock Sinking Fund.....	1,927,063 00
General Sinking Fund.....	6,077,100 00
Total Sinking Fund.....	<u>\$12,816,163 00</u>

This Sinking Fund established to-day is 4.626 per cent. of the funded debt of the Province.

First Sinking Fund Started by Colonel Matheson:

It may, however, be interesting to consider just when our first Sinking Funds were started. We find that the late Colonel Matheson, Provincial Treasurer in 1905, made certain Sterling Issues which provided for a Sinking Fund of half of 1 per cent. each year over a period of forty to fifty years. These Sterling Issues, therefore, automatically retire themselves. At that time the Province had borrowed very little and its expenditures were very light. It was not until the war period that any fairly extensive loans were required, and in these, owing to war conditions, there were no Sinking Funds stipulated. Apparently, after that there was no provision made for Sinking Funds in the various loans.

I doubt whether the Sinking Fund provision by the Province was necessary on the sums advanced to the Hydro, but it seems unfortunate that the Province went along at such a tremendous rate without consideration of the retirement of its debt. If the policy adopted by Colonel Matheson at the beginning had been in vogue for the period, we would have been paying our way and our Provincial debt would have been probably one-half the amount.

It is well to note here that the amount of Sinking Fund provided by the Hydro is about \$5,000,000, of which \$4,812,000 has been deposited with the Province in the form of bonds.

In the item of over \$6,000,000 of the General Sinking Fund of the Province, the purchases of Succession Duty Free Bonds are included. This item is not considered a real Sinking Fund as the purchases were made with borrowed money. There is, however, a small proportion of it, namely, the interest from these bonds, which has been re-invested from time to time, and has formed an actual Sinking Fund.

Recommendations:

Admitting the desirability of providing sufficient funds yearly from the Ordinary Revenues of the Province to reduce the Capital Debt, what is the best scheme for accomplishing this end? The Committee have given very careful consideration to the three methods which might be adopted, namely:

1. Sinking Fund Plan.
2. Instalment Serial Method.
3. Instalment Annuity Method.

Dealing with these in order—

1. Sinking Fund Plan:

The Sinking Fund Plan provides for the raising of a certain amount of money each year out of Ordinary Revenue. This money is then invested in our own bonds, or in such other securities as may be safe and produce the largest revenue. In the case of the Province of Ontario, with a debt of over \$300,000,000, the Sinking Fund would soon assume very large proportions. In fact, it might at times reach a sum as high as \$100,000,000. It will readily be seen that to handle a Sinking Fund this size, and ever increasing, that it would not only take a man of outstanding ability and integrity, but one who would do nothing else but watch the investment market in order to be able to make the best purchases and protect his Fund. This would mean the setting up of a new department, with the staff and expenses occasioned thereby. It would also mean that with the declining rates of interest, the Sinking

Fund would be operating on a declining rate for a considerable portion of the forty years, resulting in varying annual instalments. At the same time, on a great proportion of our present debt, we would be paying $5\frac{1}{2}$ per cent. to 6 per cent.

2. Instalment Bonds:

Instalment Bonds, whether issued on the Serial or Annuity basis, provide for a fixed retirement of a portion of the principal each year until at the end of the period the whole amount of principal has been retired. It places no responsibility on the Department or Government except to provide the money from the Ordinary Revenue each year. As these Bonds mature in each year, they are retired.

In a tentative statement, the Committee appointed have placed the advantages of Instalment Bonds, as follows:

“The effect of an instalment issue is to determine at the time of the loan the net cost of the issue, not only as regards principal, but as regards interest. The net cost of a Sinking Fund issue, however, cannot be determined because of the fact that it is impossible to foretell the yield of the Sinking Fund for a long period of years, due to the changing rates for money and its effect on the purchase price of bonds for the fund investment.”

Instalment Bonds Adopted in 1905 by Massachusetts:

It is interesting to note that the State of Massachusetts chose the Instalment Bond as a method of financing in 1905. Since that time, this method of financing has become almost general in the United States of America. This may be said of State as well as Municipal Issues.

It was at this time that Colonel Matheson placed his Sinking Fund Issues in England.

We must now consider which is the better type of Instalment Bond for the Province, the Serial or the Annuity.

Serial Bond:

This bond provides for the payment of the same principal sum each year over the period of the loan. It also provides for a payment of the interest which will decrease each year as

the principal payments are made. It will be seen in this plan that the heavy payments of interest come at the beginning and that the principal payments remain the same. It would be extremely difficult for the Province to adopt this plan as the principal payments at the beginning would involve the payment of \$4,637,000 off the debt in each year.

Annuity Bonds:

In the Annuity Bonds the payments on principal and interest are so arranged that when added together they provide for the payment of the same amount each year during the period of the issue. The result is that the interest payment in the first year is high and decreases to a very small sum in the last year, whereas the principal payment in the first year is low and increases to quite a large sum in the last year of the loan. In the Annuity Bond the sums payable at the beginning are not nearly as high as in the Serial. It, therefore, forms a much better plan for the Province to adopt considering its present financial position. If the Province were in a position to pay heavy sums off its debt each year for the next ten years, and thereby break the back of its indebtedness, then the Serial scheme would be the better one. I am afraid, however, that it involves too large a payment each year to enable it to be accepted as a practical one.

The Committee have, therefore, indicated that they think the Province should adopt the Instalment Annuity Method.

An Example of \$1,000,000:

I am, therefore, attaching a schedule which shows what each of the Instalment Methods will accomplish in a forty-year issue. (See Statement "D" page 51.)

The Present Method of Dealing with the Debt:

The present method of dealing with our debt is to pay the interest as it comes due and to pay nothing off the principal. One can easily see that in the estimating of interest at 5 per cent. over forty years the Province would pay \$2,000,000 on interest and still have its \$1,000,000 principal to pay. Without going into a computation of compound interest it is readily discernible that it would cost the Province \$3,000,000 over the period. The saving effected on \$1,000,000 by the new scheme would at least be \$668,880.

Present Debt to be Retired:

It has been computed that the present debt to be retired is as follows:

Funded Debt.....	\$268,963,354 00
Treasury Bills Outstanding.....	30,000,000 00
Thirty-year Serial Bond Issue, providing for payment of \$700,000 principal each year.....	21,000,000 00
Total.....	<u>\$319,963,354 00</u>

Division of Debt:

Without going into an extensive tabulation, it has been computed that the *Hydro debt to-day*, which must be retired after allowing for the present Sinking Funds, is \$127,198,046. The *Provincial debt*, after making the same allowances, stands at \$185,511,454. In this Provincial debt is included all that we have paid for Roads, T. & N. O. Railway, Buildings, etc., etc.

Provincial Debt Retirement, \$185,511,454:

It has been estimated that the average rate of interest payable by the Province on its debt in 1926-1927 will be 5.273 per cent.

It is quite probable that over the period of forty years the Province will not pay as high an average rate of interest. As maturities fall due, the rate will be very much lower. This, however, will give the Province considerable advantage.

Adopting, therefore, the recommendation of the Committee, <i>the Instalment Annuity Plan</i> to the debt, exclusive of Hydro Debt, and Inscribed Stocks, the Province would have to pay yearly on principal and interest the sum of.....	\$11,218,330 00
The Province pays yearly interest now amounting to....	<u>9,782,019 00</u>
Amount to be raised from Annual Revenue.....	\$1,436,311 00

The fact that we are paying off University Annuities, and also Sterling Issues, will vary this additional sum slightly, so that from the year 1926 to 1935, we will be paying \$1,488,544, and thereafter less and less, to 1966, when the payment would be \$1,436,311.

HYDRO DEBT, \$127,198,046

The Hydro-Electric Power Commission are authorized by statute to make a levy on the various power consumers for a sufficient sum to create a Sinking Fund from which to retire its indebtedness. The amount so raised yearly creates a Sinking Fund which is based on a 4 per cent. rate. Should the Sinking Fund earn more than 4 per cent., then the balance over 4 per cent. is returned to the municipalities. The Power Commission has authority to invest this Sinking Fund in Province of Ontario Bonds. These Bonds are deposited yearly with the Provincial Treasurer. The coupons on these Bonds are clipped and returned to the Hydro as the legitimate interest on the Sinking Fund. The bonds deposited with the Province to date, amount to \$4,812,000, but the Hydro have available to deposit a small additional amount. It will be seen, therefore, that the system most applicable to the Hydro, in view of the annual levy of rates to the municipalities, is a Sinking Fund scheme.

The Hydro themselves do not issue their own bonds. The Province borrows the money on its own security and pays it over to the Hydro. It would have been impossible for these reasons, and several others, to have created Serial or Annuity Bonds for the Hydro. As a matter of fact, on all great public undertakings like the Hydro the Sinking Fund or repayment fund must be postponed until the undertaking is not only earning its interest but is providing an annual levy for Sinking Fund purposes. There will be no difficulty about the Hydro-Electric Power Commission maintaining their Sinking Fund as they are at the present time. It will not interfere in any way with the rates they are charging. They will be carrying out their own plan and collecting their own moneys. On the other hand, as far as the Province is concerned, we can upon receipt of these Hydro moneys each year carry out our debt retirement.

The Hydro-Electric Power Commission advise that the year 1927 will see full Sinking Fund provision in respect of its present indebtedness to the Province. The only portion now not providing a Sinking Fund is that of the Nipigon Development with a Capital Expenditure of \$11,758,750, and a small amount on construction work in progress amounting to about \$4,000,000.

Amendment to the Act:

In order to enable the Hydro to pay the Province a certain fixed amount each year so that the Province could retire its bonds as per schedule, it will be necessary to have a slight amendment to the Act. This will enable the Commission to reduce its debt to the Province, and the Province to retire an equivalent amount of the Provincial Hydro debt. In other words, the Hydro debt will be earmarked and paid off as the moneys are paid over the Province. It will mean that in a period of forty years the Hydro will owe nothing of its present debt to the Province and the Province will correspondingly have reduced its own debt.

The Hydro must, of course, continue to pay interest on the money which the Province has loaned, and in addition pay the amount necessary to retire its indebtedness.

<i>The Hydro paid the Province in interest this year (excluding arrears on Nipigon System).....</i>	<i>\$7,563,000.00</i>
<i>The Hydro collected in Sinking Fund this year about.....</i>	<i>\$1,470,000.00</i>
<i>Next year the Hydro it is estimated will pay in interest the sum of.....</i>	<i>\$8,100,000.00</i>
<i>It is estimated also that it will collect for Sinking Fund....</i>	<i>\$1,520,000.00</i>

I desire to compliment the Hydro-Electric Power Commission on the way they have provided for Sinking Funds. During the construction of the Chippawa Canal, the Nipigon works and other main undertakings, it was absolutely essential that Sinking Fund be deferred until their undertakings could not only pay the interest, but could as well provide for Sinking Funds. That time has now arrived. Conforming with the scheme which they have laid out, and with the rates which they propose to charge from time to time, they will be able to pay the Province a sufficient sum yearly to retire their debt in forty years, and at the same time not increase the rates to the consumer.

DEBT RETIREMENT MARKS ECONOMIC EPOCH**Results Accomplished by Retirement Plan:**

It must be quite obvious to the man who does not deal with rates of interest, discount, exchange, etc., that if a small amount is paid off a mortgage or note each year it will annually decrease his interest. If, on the other hand, he simply pays interest and sometimes compound interest, he still at the end of any given period has his mortgage or note to pay.

I am not going into an extensive working out of how much

the plan will save the Province, but propose to give the figures that have been checked and are known to be correct.

Without the Plan (Present Basis):

Interest payable over forty years.....	\$673,261,264 00
Railway Aid Certificates and Annuities.....	2,507,197 00
Debt still outstanding with certain outstanding adjustments.....	186,335,934 00
Total Interest and Debt Retirement for forty years.	<u>\$862,104,395 00</u>

Plan Recommended (Future Basis):

Total Interest and Principal Retirement.....	\$734,045,230 00
Saving to the Province over forty years.....	<u>\$128,059,165 00</u>

I propose within the next two or three days to have the complete report of the Debt Retirement Committee before me with the schedules attached. I had hoped to have had this ready to lay on the desks of the Members at this time. Rather, however, than delay the delivery of the Budget and the calling of the Public Accounts Committee, I have taken the liberty of making a summary of some of the recommendations which seem to be outstanding and hope to be able to have a complete report delivered to each of the Members very shortly.

I should be delighted indeed if when the Members of the House receive this report they go into it very carefully, giving it consideration, as *I believe it is the most important thing that has ever come before this Legislature. It will have a far-reaching effect. It will enable the Province to save over \$128,000,000 during the next forty years. It will be a positive, definite advance in handling Provincial finances.*

Future Loans:

Let me also say this. I have dealt with the present Provincial debt. We are making provision to pay this off, but in the future all loans placed by the Province must provide for a retirement on an Instalment Annuity basis, or on a Sinking Fund basis.

If Honourable Members will consult the tables which I have referred to they will see that \$1,000,000 could be retired over forty years by paying a very small yearly instalment amounting to the sum of \$8,278. For every million dollars, therefore, that the Province borrows in the future, the citizens of the Province can retire it by paying off the similar sum of \$8,278 per year. The plan is to do this. The plan is to live up to our obligations.

Now it may be that occasionally it will be advisable to issue

a loan over a shorter period than forty years to take advantage of a particular market. It may be also that if we borrowed in England, the condition of the market there might demand a Sinking Fund rather than an Instalment Bond. There is nothing in our plan to prevent this.

There seems to be no reason whatever to prevent the retirement of the Hydro indebtedness commencing the year 1926. The plan provides for the retirement of the Provincial debt commencing in 1927.

Trent Valley (Hydro) Canal System:

It will be noted that the above-mentioned system is not yet carrying a Sinking Fund. The original purchase included other assets besides Water Power Assets. The system does not come under the provisions of The Power Commission Act and at present Sinking Fund charges cannot equitably be made against municipalities taking power as there is no machinery or trust whereby the municipalities can acquire an equity in the property through contribution to a Sinking Fund. At the present time the Province is receiving full interest charges on its investment which amounts to \$14,500,000. In order that Sinking Fund may be provided it will be necessary to divorce the Assets of a non-power nature and bring the system under The Power Commission Act or some similar Act.

THE ANNUAL BORROWING AUTHORITY

Following the regular custom, I shall shortly be asking this Legislature for authority to cover the loans of the Province until the next session of the House. The amounts authorized during the sessions of 1924 and 1925 were \$40,000,000 respectively and approximately a similar amount will be included in the Act this year.

It is interesting to note that the total borrowings since 1920, with the rates of interest applicable to the year, range as follows:

Year	Amount	Average Cost of Borrowed Money
1920.....	\$52,500,000 00	6.20 per cent.
1921.....	104,000,000 00	6.50 "
1922.....	77,525,000 00	5.48 "
1923.....	84,000,000 00	5.381 "
1924.....	36,000,000 00	4.996 "
1925.....	33,000,000 00	4.2665 "

It will, no doubt, be a matter of great satisfaction to the people of the Province to know that the rate we paid on money borrowed in 1925 is 1.12 per cent. less than the rate paid in 1923, and 2.24 per cent. less than the rate paid in 1921. On an amount of say \$30,000,000 this would represent a saving of \$336,000 per year over the rates paid in 1923, and \$672,000 per year over the rates paid in 1921.

I think it is fair to state that the good showing made in 1925 was due to the fact that the Province took advantage of short-date money. If there had been any long-date loans, it is quite probable that the rate would not have been very far below that secured in 1924.

Bond Branch:

As an index of the amount of work covered by the Bond Branch of the Treasury Department, let me say the Bond Branch of Ontario has handled altogether in permanent long-date loans \$332,200,000. It has handled in Treasury Bills \$208,033,000. Most of this work has been done within the past ten years. It shows the magnitude of Provincial borrowing, and how accurate this Department must be to check all these issues, both Interim and Definitive Debentures, as well as the Interest Coupons that come in from all over the country every six months. A complete audit of this Branch from the beginning has shown that their books are correct.

PROVINCIAL AUDITS

I am placing before the House a list of audits completed by the Provincial Auditor during the year 1925. (See Statement "E," page 52.) The 1925 audits are not yet all complete; for instance, there are eighty Registry and Land Transfer Tax Offices, and only about one-half of them have been completed to date. One must complete these audits without causing too great an expense; consequently, the policy of the Department is to clear up all the audits at a given place at the same time.

In addition to auditing all the receipts and disbursements, the Provincial Auditor has been making inventories and taking stock of everything in the Provincial institutions. This is a new departure following the very extensive audits into the Provincial Secretary's Department and other departments

of the service. It will take some time to get this work completed, but it is proceeding very satisfactorily.

I do not desire at this stage to go further into the question of stock-taking and the new systems which are being installed, as the Ministers controlling these departments may desire to comment upon these themselves. It must, however, be very gratifying to know that the intensive audits for the year, as well as those going back for five years, have, according to the report of the Provincial Auditor, very much improved the collection of revenue in every department. Proper cash books have been installed in the offices and these have to be balanced monthly. Greater efficiency pertains throughout the whole service in regard to the collection of revenue.

Highways Department:

The special audit conducted in the Highways Department was fruitful of good results. At the time these audits were undertaken, various municipalities were in arrears over \$4,000,000 without any penalty attached for non-payment. The accounts of the Department were in a very bad shape, and, owing to the destruction of vouchers, a new system had practically to be installed. This new system, and the work entailed, has convinced the Provincial Auditor that the Province actually made it possible to collect \$1,000,000 which would otherwise have been lost through lax bookkeeping and the billing of the municipalities.

Treasury Department:

In the Treasury Department the collection of Corporation Taxes had never been audited, but, through the careful checking of Corporation Returns and Audits, the Department has been able to collect additional sums of over \$40,000.

A partial list of other moneys, which no doubt came in on account of the audits, is as follows:

Provincial Secretary's Department:

Companies Branch.....	\$15,000 00
Public Institutions Branch.....	34,020 85
Lunatics' Estates (arrears).....	115,000 00

Provincial Treasurer's Department:

Corporations Tax.....	44,754 51
-----------------------	-----------

Attorney-General's Department:

Various Offices.....	41,944 27
	<hr/> \$250,719 63

The collection of money, however, is not an index of what has been accomplished by the audits. In a number of places sums of money were found to be owing, which could not be collected, such as the sum of over \$40,000 in the Motion Picture Bureau. The main benefit of the annual and continuous audits of revenue and expenditure has been to put every collecting and paying agency of the Province on its toes. They do not know now the day when an auditor may step in to go over their books.

Five-year Audit:

The Province has made great headway in prosecuting the audit for the years 1919, 1920, 1921, 1922 and 1923, as well as keeping up to date the yearly audits since this Government came into office.

Honourable Members of the House will understand that it is impossible to carry on this work except at a certain fixed rate of speed. Only a certain number of men can work at the books at one time; they must not interfere with the work in the office and they cannot let the yearly audits go behind. Occasionally, we have called in outside auditors to assist, but in the main, however, the Provincial Auditor has carried out this work with a very slight increase in staff. It is most desirable that the Provincial Auditor do this work as it means a smaller outlay for the Province.

TAXATION REFORMS

One hears a very great deal about the heavy taxes that we pay in Canada as compared with the United States and other English-speaking countries. I do not think that Canada has been fair to herself, nor do I think that the provinces have been particularly fair to themselves in so much self-criticism. I propose to give the House a tabulation showing how Canada compares per capita with Australia, Great Britain, and United States (figures obtained from Citizens' Research Institute Bulletin of January, 1926).

These figures are for the year 1923, but I have no doubt but that they reflect pretty well the conditions of affairs at the present time.

	Canada	Australia	Great Britain	United States
National.....	\$37 62	\$42 26	\$79 00	\$29 22
State or Provincial.....	5 16	15 86	.....	8 51
Municipal, etc.....	23 33	11 56	18 12	29 66
Total.....	\$66 11	\$69 68	\$97 12	\$67 39

You will notice that Canada actually has a lower taxation as a whole than the United States. This is accounted for in part by heavy municipal taxation in the United States. When it comes to the question of comparison of State, or Provincial, taxes, we see that the average of Provincial taxes in Canada per capita is only 5.16 as compared with 15.86 in Australia, and 8.51 in United States. It will be noted in this connection that the provinces in Canada have allowed the municipalities a tremendous field of taxation. The result is that they collected \$23.33 per capita, over four times as much as is collected by the Province.

Work Accomplished:

This Government has tried each year to inaugurate some reform in the Treasury Department which would be of benefit to the Province. In 1923, we inaugurated the audits of receipts as well as disbursements. In 1924, we made great advances. We appointed a Financial Controller and improved the Public Accounts of the Province, as well as carrying out extensive investigations in the Public Service. In 1925, the effort of the Government was directed along the line of establishing a Sinking Fund and a Committee was appointed to make recommendations for carrying out the Government's policy. During the present year the Government is directing its attention to the wiping out of double taxation among the provinces of the Dominion, and, as far as possible, with foreign countries. One of the greatest curses to the citizen is the imposition of double taxation. The Province of Ontario has for a number of years waived its taxes rather than have its citizens pay a double amount. We have, however, reached a point when this question should be taken up on its merits and a solution reached.

Double Taxation:

The question of double taxation in so far as Succession Duties, Death Duties, Estate Duties, Income Taxes, etc., etc.,

are concerned, has agitated the minds of governments all over the world. So much has this been so that in 1921 the Financial Committee of the League of Nations, which was entrusted with the study of double taxation, decided, in September, 1921, to ask certain economists to prepare a report on the matter. Outstanding economists and educationists from universities of Rotterdam, Turin, New York and London were asked to report. This Committee brought in a report on April 3rd, 1923, and it is probably the most comprehensive report in existence.

This Committee, after having studied many questions, have included in their report a summary of whether it is desirable to have the country of origin or situs apply the tax, or to leave it to the domicile of the individual. In coming to these conclusions they considered wealth from the standpoint of origin, situs, inforcibility and domicile.

The conclusions arrived at are found in the following quotation from the above-mentioned report:

Category of Wealth		Preponderant Element	
		Origin	Domicile
I.	Land.....	X	
II. a.	Mines, oil wells, etc.....	X	
II. b.	Commercial establishments.....	X	
III. a.	Agricultural implements, machinery, flocks and herds.....	X	
III. b.	Money, jewelry, furniture, etc.....		X
IV.	Vessels.....	X (Regist.)	
V. a.	Mortgages.....	X (Prop'y.)	X (Income)
V. b.	Corporate shares.....		X
V. c.	Corporate bonds.....		X
V. d.	Public securities.....		X
V. e.	General credits.....		X
VI.	Professional earnings.....		X

ELIMINATING DOUBLE TAXATION

The Government during the past two years has been alive to the importance of this matter and has been considering the evils of multiple succession duty taxation, which with increased rates is becoming a grave problem in Canada as well as in all other countries.

In cases of double taxation a large portion of the estate may be taken away and in a case of triplicate tax half the estate may not be sufficient to answer the tax demands of three different provinces.

The courts have decided that the provinces may validly impose three general classifications of succession duties, viz.:

Estate Duty:

A duty or tax in the nature of a probate or estate duty upon real and personal property locally situate within the taxing province irrespective of the domicile of the deceased owner where the tax is imposed as a condition of the grant of local probate or administration-*situs*.

Transmission Tax:

A duty or tax on the transmission of property to a resident beneficiary on the death of a person domiciled in the taxing province at the time of death notwithstanding that the property may be locally situated outside of the province at the time of death-*transmission*.

Succession or Legacy Duty:

A succession or legacy duty upon all the personal property of a deceased person dying domiciled within the province imposing the tax irrespective of the local situation of the property—*mobilia sequuntur personam*.

UNIFORMITY OF LEGISLATION

Lack of uniformity in administration in all the provinces entails hardship and additional expense upon executors of estates having assets in different parts of Canada, and an effort is being made to bring about uniformity in these matters. These may be briefly indicated as follows:

1. The advisability of uniformity in the definitions of classes of property deemed to pass on death, and in the matter of exemptions, and of making the scope of the Act as inclusive as possible.
2. The advisability, in levying the duty, of following the existing practice:
 - (a) Of ascertaining the rate by the total value of the estate wherever situated.
 - (b) Of increasing the rates as against non-residents.

3. The advisability of uniformity in broad administrative features, such as:
 - (a) The manner of computing the present value of annuities, life estates, estates for a term of years or future estates.
 - (b) Apportionment of debts.
 - (c) Time for payment of duties, rate of interest and rate of discount, if any, to be allowed for prompt payment.
 - (d) Method of valuing estates in cases of dispute.
 - (e) Remission.

The elimination of double taxation will mean some immediate loss of revenue, but it is felt that an equitable treatment of the taxpayer will tend to do away with avoidance and evasion of the tax and that the immediate loss of revenue would be ultimately overcome.

New Orleans Conference:

The same matters are receiving attention in the United States where these same evils are intensified by a federal inheritance tax in addition to the tax imposed by the individual states and the Solicitor to the Treasury has been in close touch with the developments in that country and recently attended the conference of the National Tax Association in New Orleans where these questions were discussed at great length and some progress made toward uniformity.

WINNIPEG PROVINCIAL TAXATION CONFERENCE

A conference was held in Winnipeg on August 24th and 25th last, which was attended by representatives from Ontario and the four western provinces, when a thorough and frank discussion took place and the following resolutions unanimously passed:

(1) Resolved, that for purposes of a uniform Act designated to replace the present Succession Duty Acts a Committee be appointed to prepare for consideration by a further inter-provincial conference, to be called at an early date, tentative draft sections embodying as a basic principle the imposition of a death duty with the following incidences and times of payment:

(a) A payment to be made as a condition of the granting of probate or letters of administration according to a rate based on the aggregate value of the estate, wherever situate, applicable to all property (real and personal) actually situate within the province, irrespective of its destination under the will or intestacy and irrespective of the domicile of the deceased;

(b) A deferred payment to be made at the time of the distribution of the estate according to a rate based on the relationship of the beneficiary to the deceased and the value of the benefit received, applicable to all real estate within the province, irrespective of the domicile of the deceased, and to all personal estate wherever situate of a deceased domiciled within the province; and that in the case of personal property as to which no duty is so payable at the time of probate or letters of administration the deferred payment to be made in respect of that property shall be according to an increased rate.

And further resolved that for purposes of consideration as an alternate scheme a Committee be appointed to prepare a tentative draft inter-provincial agreement implementing the existing Succession Duty Acts by arbitrarily allocating personal estate for purposes of duty between the jurisdiction of the domicile of the deceased and the jurisdiction in which the property is situate with a view to an equitable distribution between provinces for purposes of taxation.

(2) Resolved, that this conference recommends, for consideration at a future conference, uniformity of succession duties legislation by the respective provinces of Canada, particularly in the following matters, namely:

1. Tables used for the purpose of ascertaining the expectancy of life and the computation of the present value of annuities, life estates or estates for term of years.

2. Time allowed for payment of duty without interest. The rates of interest to be charged on deferred payments.

3. Method of determining the value of property in case of dispute.

4. The definitions of the classes of property to be taxed.

5. Imposition of duty on the proceeds of insurance policies.

6. The exemption, if any, of the proceeds of insurance policies taken out expressly for the purpose of paying succession duties.

7. A crown lien for succession duty and the method of realizing thereon.

And this conference suggests the discussion at a later conference of the following matters, namely:

1. Discount, if any, to be allowed for prompt payment.

2. Powers of remission and revaluation.

3. Exemptions to be granted to beneficiaries, if any.

4. Exemptions to be granted to charities or religious or educational institutions.

5. The apportionment of debts.

6. Provisions for appropriating tax-free securities to satisfy the duties.

7. The discontinuance of the practice of increasing the rate of duty in the case of non-residents.

Since this conference Quebec and the Maritime Provinces have appointed representatives on the Committee and that Committee is now drafting agreements and legislation for consideration of a further conference to be held in May at which all the provinces will be represented.

The Committee has been divided into two sections, one to consider and prepare an agreement between the different provinces to remedy the evil of double taxation, and the other section of the Committee to consider and prepare new legislation similar in effect to the English law, providing for an Estate Tax on all property of deceased and a Transfer Tax on the transmission of the different shares passing.

Quebec Conference:

The present Government has already had conferences with the Government of the Province of Quebec, with the view of overcoming double succession duty between the two provinces. Considerable progress has been made and the points of

difference very greatly narrowed down. The differences with Quebec arise mostly from the fact that Ontario bases her laws on the Common Law of England, while Quebec uses the Code Napoleon founded on the Civil Law of France. In short, Quebec accentuates "Situs" and Ontario "Domicile."

Further conferences will be held with the Government of the Province of Quebec and it is hoped that a solution will be found.

NO NEW TAXATION

The Government has been waiting for a turn of the tide, for the betterment of business conditions in Canada and throughout the Province. We have hesitated to place any additional taxation, but have rather felt that good business conditions would bring somewhat increased revenue in the various departments.

There were two new realms of taxation opened up last year.

Gasoline Tax:

This tax of three cents per gallon has proved a very productive one. In a full year it is anticipated that there would be collected about \$3,400,000. For a little over five months of the past period of the year there was collected about \$2,000,000. The collection on this tax up to January 1st amounts to \$2,500,000 and there are still four months to go.

Luxury Tax:

In the same year the Luxury Tax on wines, beers, and carbonated drinks was imposed. This tax for a period of five months brought in the sum of \$375,000. The tax on carbonated drinks produced somewhat over \$80,000. It is quite probable that for a full year the tax on carbonated drinks would not be more than \$100,000.

We have decided to abandon the tax on carbonated drinks. This is done on account of the small revenue received and the extreme difficulty found in collecting this tax.

ESTIMATES

I am taking this opportunity of laying on the table the Supplementary Estimates for the present year amounting to

\$1,951,504.59. In all probability there will be further Supplementary Estimates this session, but the amount cannot at present be foretold.

This Year's Full Estimate:

Last year I estimated that the Province would collect in revenue \$46,000,000. The actual amount received was \$46,500,000. This, under all the circumstances, was a very close estimate.

I am not sure that I can make as accurate an estimate this year. I will furnish a memorandum to each Member of the House of my 1926 Estimate. I estimate the revenue for the current year at \$49,360,000. The estimated expenditure has been placed at \$50,859,300. This leaves a deficit of around \$1,500,000. In many of the Estimates of Revenue, there have been small changes to meet with the views of the Department. The main increases in revenue and decreases in expenditure come from the following sources:

Increases in Revenue:

Gasoline Tax.....	\$1,400,000
Licenses.....	300,000
Corporation and Succession Duty Taxes, including various other Revenue in the Treasury Department.....	1,000,000
Total increase.....	\$2,700,000

Reduction in Expenditure:

Maintenance of roads in Northern and Southern Ontario and Administration of Justice..	\$1,000,000
Provincial Secretary's Department.....	400,000
Total reduction.....	\$1,400,000
Interest on Non-Revenue Producing Debt....	500,000
Net reduction in Expenditure.....	900,000
Net improvement in Revenue and Expenditure.....	\$3,600,000

This leaves, as I have stated above, a deficit of around \$1,500,000. (See Statements F and G, pages 54 and 55.)

Fiscal Year 1926-27:

It is very difficult indeed to estimate the revenue of the Province a year in advance. It is quite certain, however, that if we maintain our revenue as well as we have done this year, and provide for increased interest on Non-Revenue

Producing Capital Account, there will still be a deficit of \$1,500,000. If we add to this the first instalment for the Sinking Fund, there will be a total deficit in the year 1926-27 of \$3,000,000.

DEBT RETIREMENT

The Government intend in the year 1927 to put into effect the policy of debt retirement. This involves the providing of sufficient revenue in the year to balance the budget. The Government are very anxious to see how this fiscal year will work out. If it works out according to schedule, and there is a general improvement in the collection of revenue and a somewhat decided reduction in Controllable Accounts, then it may not be necessary to put on any further taxation. Should it be found, however, that these anticipations are not realized, then the Government will have to take under advisement the providing of new revenues.

MR. BELANGER: Does the honourable gentleman think that in 1927 there might be somebody who would not follow the same promises?

HON. MR. PRICE: Well, I am fairly robust, Mr. Speaker, and hope that no condolences need be given on my account in this House in the year 1927. But I might say, Mr. Speaker, that even if my honourable friend has the opportunity of providing some of these payments I have no doubt it will give him a great deal of pleasure. The debt retirement scheme, it is proposed, will be in full operation in 1927, and that will involve payment of about \$3,000,000 a year extra half of which will practically be paid by Hydro, and half out of ordinary receipts of the Province.

In concluding these observations on the financial affairs of the Province, let me thank the Debt Retirement Committee for their very effective work and for their painstaking care in furnishing me with data and information, part of which is contained in this address.

The Financial Controller, Mr. Turnbull, has worked early and late in working out the application to the Provincial Debt of the plan laid down by the Committee. I know you will agree with me, when this report is given to you for perusal, that the Government adopted the right policy to get expert advice and assistance in taking this most important step.

THE PRIME MINISTER—A VIRILE LEADER

Now, Mr. Speaker, I have dealt at great length with the financial affairs of the Province—possibly at greater length because I felt there was something I should explain to Honourable Members of the House. A number of the things I have discussed here were very vital to this Province, and I knew Members would bear with me in my presentation, which, with so many figures, is not an attractive speech to make. But in winding up this address, I desire to depart entirely from its financial aspect and draw the attention of the House to something else.

When this party was in Opposition, Honourable Members who sat here at that time will remember that we occupied just twenty-five seats in a corner of the House, and that the present Prime Minister occupied the seat just vacated by my Honourable friend from Brantford. Those of us who sat in the House at that time with the Conservative phalanx know what a tremendous fight was put up against the Government of the day. Many of us who sat there during that period remember the things the Government of the day did; remember the expenditures that the Government brought down from time to time, remember what they tried to put through the House; remember how they answered our questions!

I could go back over the Public Accounts and Journals of the House and find all kinds of answers to questions on Government policy and everything else—answered in the characteristic way of the Attorney-General of that day! These things are common knowledge to those who sat there, are common knowledge to the people of Ontario. These are things we remember to-day and I recall that the present Prime Minister as Leader of our party in that little corner of the House, sat there hour after hour and at two o'clock in the morning was just as good as he was at three o'clock in the afternoon! He was the fighting leader of a virile, active, aggressive, opposition that made no apology. I like to see a fighting Opposition—that is what they are there for. But I like to see a fair Opposition—I like an Opposition to make their points and ask their questions, but as in a gentlemen's assembly and not as in a bear garden. And in concluding this speech, I assert that the Province of Ontario owes a great deal to the Prime Minister. I have been in this House

now three sessions. I have said very little on anything except the Public Accounts of the day. I have not taken part in many debates and have not placed many bouquets on the desk of the Premier, but I have listened continually, and I say to the public and to this Legislature, that no stronger or cleverer man, or with more outstanding ability, has ever lead this House than the present Prime Minister. And I say to the Conservative following in the House, and to men who did not sit in the House and do not realize what it is with only twenty-five members, to fight a Government which was prepared to bring its Legislation down on the floor of the House, not as ordinarily Governments do, but in at the back door or by any other door as long as they could get it through the House. That is what we had to fight at that time. And I wish to say to you to-night that when he fought here during the last days of the session of 1923 with all his wealth of resource, strength, ability and character, when he forced the Drury Government to the country, and then when he went out on the hustings to wage his General Election Campaign, he performed at great personal sacrifice, a duty to the electors who owe him a lasting debt of gratitude.

To-day, dealing with a difficult period, a difficult debt period, a difficult work period, and a difficult O.T.A. period, if you like, a difficult period, as Honourable Members know, divided as they are in the House, and in viewpoint as all the House is, it is a difficult question, but I say what we require and what I appeal for is just a little more charity in criticism from across the floor of the House. I am prepared, Mr. Speaker, to take the word of the honourable gentlemen opposite. I am prepared to listen to their view-points, but I believe we will get very much farther in this House if questions are approached in a reasonable way. I do not think there is any Member in the House who asks a fair question who will be refused information by any Minister. I think every Minister is prepared at the proper time to discuss public issues: but when the discussion degenerates into petty partisanship and is beneath the dignity of the House and the honour of its Members, and public business is obstructed, then the Prime Minister proves his eminent leadership by taking affairs into his own hands and presenting them to the House in a fair and lucid way, which meets with public approval.

FAIR CRITICISM INVITED

I say in final appeal I desire Honourable Members to treat questions I have brought before the House on their merits. Treat the memoranda and the comments I am giving you on their merits. Point out any improvements which can be made in the financial affairs of the Province, or in policies, but above all let us realize that no matter what rivalry there is from a political standpoint, the best attitude is to assume that the other man is honest, that the other man has views to express, which while you may not agree with him are presumably views from the bottom of his heart. When we take that attitude and meet each other on common ground, then we shall make progress.

STATEMENT "A"

STATEMENT SHOWING DATE OF OPENING OF LEGISLATURE.—DATE OF PRESENTATION OF
PUBLIC ACCOUNTS.—DATE OF BUDGET SPEECH.—DATE OF PUBLIC
ACCOUNTS COMMITTEE MEETING.

Year	Opening of the House	Public Accounts Presented	Budget Speech	PUBLIC ACCOUNTS COMMITTEE			Year
				Organized	Started Sitzings	No. of Sittings	
1915.....	February 16	February 22	February 23	March 12	March 17	7	1915
1917.....	February 13	February 22	February 22	March 7	March 9	13	1917
1918.....	February 5	February 12	February 12	March 8	March 13	4	1918
1919.....	February 25	March 6	March 6	March 27	April 2	8	1919
1920.....	March 9	March 19	April 13	March 30	April 1	14	1920
1921.....	January 25	February 11	February 15	February 24	March 2	17	1921
1922.....	February 14	March 14	March 16	April 5	April 7	26	1922
1923.....	January 23	February 20	February 22	March 14	March 21	11	1923
1924.....	February 6	February 19	February 19	March 7	March 14	18	1924
1925.....	February 10	March 5	March 5	March 27	April 3	10	1925
1926.....	February 10						1926

STATEMENT "B"

STATEMENT RE ISSUES OF BONDS AND STOCK FREE FROM SUCCESSION
DUTY AS AT OCTOBER 31st, 1925.

Date of Issue	Maturity	Original Amount	Interest	Redeemed or Cancelled	Present Amount	Bought in for Sinking Funds	Outstanding in Public Hands
1906, July 1	1926 and 1936	\$3,000,000.00	3½%	Nil	\$3,000,000.00	\$1,538,500.00	\$1,461,500.00
1909, May 1	1947	£1,640,547.18.11	4%	£1,320,855.2.7	£319,692.16.4	£127,887.7.2	£191,805.9.2
1909, June 1	1939	\$3,500,000.00	4%	Nil	\$3,500,000.00	\$2,627,900.00	\$ 872,100.00
1911, May 1	1941	\$ 498,600.00	4%	Nil	\$ 498,600.00	\$ 153,600.00	\$ 345,000.00
1911, Nov. 1	1941	\$3,000,000.00	4%	Nil	\$3,000,000.00	\$1,171,600.00	\$1,828,400.00
1914, Jan. 1	1965	£ 817,294.	4½%	£ 645,839.7.4	£171,454.12.8	£ 87,743.6.4	£83,711.6.4
1914, Oct. 1	1919	\$2,000,000.00	5%	\$2,000,000.00	Nil	Nil	Nil
1915, Apr. 15	1920	\$1,000,000.00	5%	\$1,000,000.00	Nil	Nil	Nil
1917, Jan. 1	1923	\$1,000,000.00	5%	\$1,000,000.00	Nil	Nil	Nil
Currency.	.....	\$13,998,600.00		\$4,000,000.00	\$9,998,600.00	\$5,491,600.00	\$4,507,000.00
Sterling..	.....	£2,457,841.18.11		£1,966,694.9.11	£ 491,147.9.0	£215,630.13.6	£275,516.15.6

STATEMENT "D"

Tables Illustrating the Two Types of Instalment Bonds
as Applied to a \$1,000,000 40-Year 5% Loan

Year	Instalment Serial Method			Instalment Annuity Method		
	Interest	Principal	Total Annual Payment	Interest	Principal	Total Annual Payment
	\$	\$	\$	\$	\$	\$
1.....	50,000	25,000	75,000	50,000	8,278	58,278
2.....	48,750	25,000	73,750	49,586	8,692	58,278
3.....	47,500	25,000	72,500	49,151	9,127	58,278
4.....	46,250	25,000	71,250	48,695	9,583	58,278
5.....	45,000	25,000	70,000	48,216	10,062	58,278
6.....	43,750	25,000	68,750	47,713	10,565	58,278
7.....	42,500	25,000	67,500	47,184	11,094	58,278
8.....	41,250	25,000	66,250	46,630	11,648	58,278
9.....	40,000	25,000	65,000	46,047	12,231	58,278
10.....	38,750	25,000	63,750	45,436	12,842	58,278
11.....	37,500	25,000	62,500	44,794	13,484	58,278
12.....	36,250	25,000	61,250	44,120	14,158	58,278
13.....	35,000	25,000	60,000	43,412	14,866	58,278
14.....	33,750	25,000	58,750	42,668	15,610	58,278
15.....	32,500	25,000	57,500	41,888	16,390	58,278
16.....	31,250	25,000	56,250	41,068	17,210	58,278
17.....	30,000	25,000	55,000	40,208	18,070	58,278
18.....	28,750	25,000	53,750	39,304	18,974	58,278
19.....	27,500	25,000	52,500	38,356	19,922	58,278
20.....	26,250	25,000	51,250	37,359	20,919	58,278
21.....	25,000	25,000	50,000	36,314	21,964	58,278
22.....	23,750	25,000	48,750	35,215	23,063	58,278
23.....	22,500	25,000	47,500	34,062	24,216	58,278
24.....	21,250	25,000	46,250	32,851	25,427	58,278
25.....	20,000	25,000	45,000	31,580	26,698	58,278
26.....	18,750	25,000	43,750	30,245	28,033	58,278
27.....	17,500	25,000	42,500	28,844	29,434	58,278
28.....	16,250	25,000	41,250	27,372	30,906	58,278
29.....	15,000	25,000	40,000	25,827	32,451	58,278
30.....	13,750	25,000	38,750	24,204	34,074	58,278
31.....	12,500	25,000	37,500	22,500	35,778	58,278
32.....	11,250	25,000	36,250	20,711	37,567	58,278
33.....	10,000	25,000	35,000	18,833	39,445	58,278
34.....	8,750	25,000	33,750	16,861	41,417	58,278
35.....	7,500	25,000	32,500	14,790	43,488	58,278
36.....	6,250	25,000	31,250	12,616	45,662	58,278
37.....	5,000	25,000	30,000	10,332	47,946	58,278
38.....	3,750	25,000	28,750	7,935	50,343	58,278
39.....	2,500	25,000	27,500	5,418	52,860	58,278
40.....	1,250	25,000	26,250	2,775	55,503	58,278
	1,025,000	1,000,000	2,025,000	1,331,120	1,000,000	2,331,120

STATEMENT "E"

LIST OF AUDITS MADE DURING 1925

Provincial Treasurer's Department:

Corporations Tax.
Law Stamps.
Amusement Branches.
Board of Censors.
Motion Picture Bureau.
Provincial Loans (Bond Branch).
Land Transfer Tax (30 offices).
Luxury Tax.

Attorney-General's Department:

Registry and Land Titles Offices (30).
Inspector of Legal Offices.
Sheriffs and Crown Attorneys.

Insurance Department.**Education Department:**

Main Office.
Deaf and Dumb Institution.
Blind Institution.

Lands and Forests Department.**Mines Department.****Game and Fisheries Department.****Public Works Department.****Public Highways Department:**

Road Construction.
Motor Vehicles Branch.

Health Department:

Main Office.
Registrar-General's Branch.
Biological Department.

Labour Department:

Steam Boiler Branch.
Factory Inspection Branch.
Stationary Engineers Branch.

Provincial Secretary's Department:

Companies Branch.
Neglected Children's Branch.
Ontario Hospitals (11) (not all completed). Investigation.
Brick and Tile Plant. Investigation.
Ontario Reformatory, Guelph. Investigation.
Mercer Reformatory.
Industrial Farm, Burwash. Investigation.
Industrial Farm, Fort William. Investigation.
Lunatics Maintenance Accounts. Investigation.

Agriculture Department:

Main Office and Branches.
Colonization and Immigration Office.
Agricultural College and Farm.
Ontario Veterinary College.
Butter-Grading Station.
Experimental Station, Vineland.

Miscellaneous:

Queen Victoria Niagara Falls Park Commission.
Burlington Beach Commission.
Ontario Athletic Commission.
Soldiers' Aid Commission.
Agricultural Development Board.
Bank Balances.

STATEMENT "F"
ESTIMATED PAYMENTS
Fiscal Year Ending 31st October, 1926

Department	Ordinary	Capital
Lieutenant-Governor's Office.....	\$5,400 00	.....
Prime Minister.....	600,000 00	\$16,685,000 00
Legislation.....	365,000 00	.....
Attorney-General:		
Law Enforcement, etc.....	2,125,000 00	.....
Insurance Department.....	50,000 00	.....
Education.....	8,930,000 00	100,000 00
Lands and Forests:		
Lands and Forests.....	1,455,000 00	945,000 00
Northern Development.....	1,000,000 00	2,300,000 00
Mines:		
Mines.....	350,000 00	.....
Game and Fisheries.....	415,000 00	45,000 00
Public Works and Highways:		
Public Works.....	1,042,500 00	2,606,800 00
Highways.....	3,090,000 00	7,600,000 00
Health and Labour:		
Health.....	600,000 00	.....
Labour (including Mothers' Allowances).....	2,254,300 00	.....
Provincial Treasury.....	2,134,600 00	3,085,000 00
Provincial Auditor.....	89,000 00	.....
Provincial Secretary.....	5,900,000 00	.....
Agriculture.....	2,363,500 00	.....
General Miscellaneous.....	90,000 00	.....
Total, excluding Public Debt.....	\$32,859,300 00	\$33,366,800 00
Public Debt:		
Interest, Exchange, Bank Commission, etc.....	\$18,000,000 00	.....
Purchase of Bonds for General Sinking Fund.....	.....	\$293,500 00
Sinking Fund, Inscribed Stock.....	.....	22,000 00
Total Estimated Payments.....	\$50,859,300 00	\$33,682,300 00

STATEMENT "G"
ESTIMATED RECEIPTS
Fiscal Year Ending 31st October, 1926

Department	Ordinary	Capital
	\$ c.	\$ c.
Prime Minister:		
Hydro-Electric Refunds	150,000 00	
Ontario Public Service Superannuation Fund		500,000 00
Legislation	35,000 00	
Attorney-General:		
Law Enforcement Branch	\$1,400,600 00	
Miscellaneous	401,400 00	
Insurance Department	150,000 00	
	\$1,952,000 00	
Education	\$650,000 00	
Lands and Forests:		
Lands and Forests	\$3,550,000 00	\$1,062,000 00
Northern Development	30,000 00	120,000 00
	\$3,580,000 00	\$1,182,000 00
Mines:		
Mines	\$700,000 00	\$42,000 00
Game and Fisheries	750,000 00	
	\$1,450,000 00	\$42,000 00
Public Works and Highways:		
Public Works	\$25,000 00	
Public Highways	600,000 00	\$1,900,000 00
Motor Vehicles	6,100,000 00	
Gasoline Tax	3,400,000 00	
	\$10,125,000 00	\$1,900,000 00
Labour and Health:		
Labour Department	\$90,000 00	
Mothers' Allowances Commission	900,000 00	
Health Department	150,000 00	
	\$1,140,000 00	
Provincial Treasurer:		
Subsidy from Dominion of Canada	\$2,643,000 00	
Amusement Branches	1,575,000 00	
Casual	300,000 00	
Law Stamps	350,000 00	
Succession Duty	6,250,000 00	
Corporations Tax	6,000,000 00	
Land Transfer Tax	500,000 00	
Fire Marshal's Tax	80,000 00	
Beverage Tax	500,000 00	
Drainage Debentures (Municipal)		\$35,000 00
Drainage Debentures (Tide)		95,000 00
Municipal Debentures		10,000 00
Municipal Sinking Fund		125,000 00
General Sinking Funds, Interest		250,000 00
Queen Victoria Niagara Falls Park Sinking Fund		9,000 00
Farm Loan Repayments		50,000 00
Highway Loan Repayments		15,000 00
	\$18,198,000 00	\$589,000 00
Provincial Secretary:		
Provincial Secretary	\$1,450,500 00	
Ontario Housing Commission		\$375,000 00
Agriculture	\$480,000 00	
Interest:		
Hydro-Electric Power Commission	\$8,100,000 00	
T. & N. O. Railway Commission	750,000 00	
Miscellaneous	1,300,000 00	
	\$10,150,000 00	
Total Estimated Receipts	\$49,360,500 00	\$4,588,000 00

STATEMENTS
OF
ASSETS AND LIABILITIES
RECEIPTS AND PAYMENTS
ETC.

FISCAL YEAR
ENDED
OCTOBER 31st, 1925

ASSETS AND LIABILITIES

Page
No.

CAPITAL ASSETS

REALIZABLE OR INCOME PRODUCING:

DOMINION OF CANADA

Capital Account—Capitalized at 5%—

Annual Subsidy, B.N.A. Act.....	\$4,800,000 00
Annual Grant, B.N.A. Act.....	45,203,944 00
Annual (increased) Subsidy, 47 V., Cap. 4.....	2,848,289 60
Common School Fund—Ontario and Quebec.....	1,472,866 80
Quebec Turnpike Trust—Ontario and Quebec.....	3,324 35

\$54,328,424 75

45 HYDRO-ELECTRIC POWER COMMISSION—ADVANCES—

Hydro System.....	\$132,010,046 51
Less—Sinking Fund—Investments deposited (par value).....	4,812,000 00

\$127,198,046 51

Central Ontario Power System.....	14,519,262 56
-----------------------------------	---------------

141,717,309 07

TEMISKAMING AND NORTHERN ONTARIO RAILWAY—

ADVANCES.....	30,207,934 92
---------------	---------------

45 LOANS.....9,377,940 69\$235,631,609 4345 BUILDINGS, ROADS, ETC.....110,944,989 31

ESTIMATED POTENTIAL REVENUE RESOURCES:

Log Timber, Pine, Spruce, Poplar, etc.....	\$241,050,000 00
Pulpwood Timber, Ties, Poles, etc.....	337,200,000 00
Crown Lands.....	23,000,000 00
Water Powers.....	55,000,000 00
Fish, Game and Fur.....	15,000,000 00
Mines.....	20,000,000 00

\$691,250,000 00TOTAL CAPITAL ASSETS.....\$346,576,598 74

CURRENT ASSETS

CASH AND ADVANCES—

46 Balances at Banks.....	\$1,832,657 61
Accountable Warrants Outstanding.....	42,783 37

\$1,875,440 98

46 ACCOUNTS RECEIVABLE.....	4,559,198 44
-----------------------------	--------------

58 AGRICULTURAL DEVELOPMENT FINANCE ACT—INVESTMENTS.....	12,115,051 41
--	---------------

MISCELLANEOUS INVESTMENTS.....	4,802 60
--------------------------------	----------

47 PLANT, LIVESTOCK, STORES AND EQUIPMENT.....	2,199,199 03
--	--------------

BALANCE—

Excess of Current Liabilities over Current Assets.....	\$44,601,100 60
--	-----------------

TOTAL CURRENT ASSETS.....20,753,692 46

47 DEFERRED ASSETS.....	112,726 62
-------------------------	------------

47 DISCOUNT ON LOANS.....	\$2,719,690 32
---------------------------	----------------

TOTAL ASSETS.....\$367,443,017 82

PROVINCE OF ONTARIO

AS AT OCTOBER 31st, 1925

Page No.		CAPITAL LIABILITIES	
48	ONTARIO STOCK AND DEBENTURES.....		\$277,045,257 21
	Deduct—		
53	Purchased for Redemption (par value).....	\$7,919,844 70	
	Deposited by Hydro-Electric Power Commission.....	4,812,000 00	
53	Inscribed Stock Sinking Fund Accounts Bank of Montreal London.....	84,319 09	
			<u>12,816,163 79</u>
	UNIVERSITY OF TORONTO CERTIFICATES.....		\$264,229,093 42
54	RAILWAY AID—CERTIFICATES AND ANNUITIES.....		300,000 00
50	CONTINGENT LIABILITIES:		2,507,196 82
	Bonds, etc., guaranteed by the Province of Ontario.....	\$51,945,906 02	

BALANCE:

Excess of Capital Assets over Capital Liabilities..... \$79,540,308 50

TOTAL CAPITAL LIABILITIES..... \$267,036,290 24

CURRENT LIABILITIES

	TEMPORARY LOANS—TREASURY BILLS.....	\$33,000,000 00	
46	DUE BANKS.....	4,963,381 70	
58	PROVINCE OF ONTARIO SAVINGS OFFICE—DEPOSITS.....	19,222,689 56	
58	ACCOUNTS PAYABLE.....	381,829 00	
	ACCRUED INTEREST ON PUBLIC DEBT.....	4,179,601 58	
58	SPECIAL FUNDS.....	3,607,291 22	
			<u>65,354,793 06</u>
	TOTAL CURRENT LIABILITIES.....		\$332,391,083 30
	TOTAL LIABILITIES.....		<u>35,051,934 52</u>
	BALANCE—Excess of Total Assets over Total Liabilities.....		<u>\$367,443,017 82</u>

**Statement
REVENUE AND
Fiscal Year ended**

Page No.	State-ment No.	Departments	Ordinary	Capital	Total
		REVENUE	\$ c.	\$ c.	\$ c.
14	2	Prime Minister.....	153,657 99		153,657 99
14	3	Legislation.....	31,421 29		31,421 29
14	4	Attorney-General.....	1,797,696 49		1,797,696 49
15	5	Insurance.....	143,367 52		143,367 52
15	6	Education.....	602,871 33		602,871 33
16	7	Lands and Forests.....	3,559,646 30	1,499,051 25	5,058,697 55
18	8	Mines.....	572,717 68	40,694 28	613,411 96
19	9	Game and Fisheries.....	709,455 73		709,455 73
19	10	Public Works.....	10,295 31	6,929 85	17,225 16
20	11	Public Highways.....	8,482,939 96	5,757,238 19	14,240,178 15
21	12	Health.....	118,913 49		118,913 49
21	13	Labour.....	912,679 73		912,679 73
23	14	Provincial Treasurer.....	17,449,932 01		17,449,932 01
36	15	Provincial Secretary.....	1,426,757 29		1,426,757 29
39	16	Agriculture.....	445,127 72	3,175 00	448,302 72
41	17	Interest on Loans, etc.....	10,185,323 67		10,185,323 67
		TOTAL REVENUE.....	46,602,803 51	7,307,088 57	53,909,892 08

ORDINARY

Ordinary Expenditure as per contra.....

Ordinary Revenue as above.....

Excess of Ordinary Expenditure over

Add: Discount on Loans applicable to year—

On Treasury Bill Issues.....

On Bond Issues.....

Deficiency of Ordinary Revenue for year

**CONSOLIDATED
Fiscal Year ended**

State-ment No.	Page No.			
		Balance in Banks—November 1st, 1924.....	\$22,115,928 59	
		Add—Miscellaneous Adjustments.....	279,673 09	
				\$22,395,601 68
		Revenue as above—		
		Ordinary.....	\$46,602,803 51	
		Capital.....	7,307,088 57	
				53,909,892 08
		Public Debt, Loans and Special Funds—		
42	18	Proceeds of Treasury Bill Issues, etc.....	\$47,949,876 50	
43	19	Loan Repayments.....	1,117,543 04	
43	19	Special Fund Deposits.....	721,788 33	
				49,789,207 87
46		Balance due Banks (net) October 31st, 1925.....		3,130,724 09
				\$129,225,425 72

No. 1
EXPENDITURE
31st October, 1925

Public Accounts Ref. No.

Page No.	Departments	Ordinary		Capital		Total	
	EXPENDITURE	\$	c.	\$	c.	\$	c.
A2	Lieutenant-Governor's Office.....	5,450	00			5,450	00
B2	Prime Minister.....	327,473	97			327,473	97
C2	Legislation.....	365,933	51			365,933	51
D2	Attorney-General.....	2,510,723	12			2,510,723	12
E2	Insurance.....	48,621	99			48,621	99
F2	Education.....	9,259,464	03	172,256	76	9,431,720	79
G2	Lands and Forests.....	3,055,277	88	3,256,944	23	6,312,222	11
H2	Mines.....	278,115	27	7,748	18	285,863	45
I2	Game and Fisheries.....	357,476	46	22,725	25	380,201	71
J2	Public Works.....	805,181	26	2,186,033	80	2,991,215	06
K2	Public Highways.....	3,534,911	91	9,349,890	18	12,884,802	09
L2	Health.....	606,306	58			606,306	58
M2	Labour.....	2,299,403	04			2,299,403	04
N2	Provincial Treasurer.....	2,134,584	17			2,134,584	17
O2	Provincial Auditor.....	89,862	90			89,862	90
P2	Provincial Secretary.....	6,216,616	65	10,788	30	6,227,404	95
Q2	Agriculture.....	2,239,616	86	18,713	64	2,258,330	50
R2	General Miscellaneous.....	77,926	90			77,926	90
44	Stationery Account—Excess of Purchases over amount distributed to Depart- ments during year.....	11,056	22			11,056	22
N5	Public Debt—Interest, Exchange, etc...	17,238,175	78			17,238,175	78
	TOTAL EXPENDITURE.....	51,462,178	50	15,025,100	34	66,487,278	84

RECAPITULATION

.....	\$51,462,178	50
.....	46,602,803	51
Revenue.....	\$ 4,859,374	99
.....	\$126,515	00
.....	121,475	00
	247,990	00
.....	\$ 5,107,364	99

REVENUE FUND
31st October, 1925

Page No.	Expenditure as above—		
	Ordinary.....	\$51,462,178	50
	Capital.....	15,025,100	34
		<u>\$66,487,278</u>	<u>84</u>
	Public Debt, Loans and Special Funds—		
S1	Debentures, Treasury Bills, etc., matured and paid...	\$49,906,601	15
S1	Loans Advanced.....	12,565,471	15
S1	Special Fund Repayments.....	266,074	58
		<u>62,738,146</u>	<u>88</u>

\$129,225,425 72

STATEMENT No. 1 (a)
COMPARATIVE STATEMENT OF ORDINARY REVENUE AND EXPENDITURE
Fiscal Years 1923-25

DEPARTMENT	ORDINARY REVENUE			ORDINARY EXPENDITURE		
	1923	1924	1925	1923	1924	1925
	\$	\$	\$	\$	\$	\$
Lieutenant-Governor.....			153,657 99	5,400 00	5,400 00	5,450 00
Prime Minister.....		10 00		1,649 451 61	1,282,233 37	327,473 97
Legislation.....	18,340 66	21,560 64	31,421 29	457,531 34	314,867 38	365,933 51
Attorney-General.....	1,611,216 40	1,888,470 66	1,797,696 46	2,343,299 32	2,201,069 48	2,510,723 12
Insurance.....	131,533 28	131,376 15	143,367 52	46,227 96	41,431 14	48,621 99
Education.....	483,385 93	571,556 83	602,871 33	9,835,581 26	9,283,487 65	9,259,464 03
Land and Forests.....	1,993,448 40	3,335,206 03	3,559,646 30	2,915,017 89	2,647,445 47	3,055,277 88
Mines.....	562,872 25	593,218 15	572,717 68	315,454 77	324,408 66	278,115 27
Game and Fisheries.....	621,148 08	667,233 46	709,455 73	356,672 04	323,985 29	357,476 46
Public Works.....	14,473 89	22,506 25	10,295 31	1,000,640 21	850,000 31	805,181 26
Public Highways.....	4,525,928 14	5,498,028 75	8,482,939 96	3,302,950 41	3,001,235 05	3,534,911 91
Health.....		83,305 49	118,913 49	513,936 77	594,721 57	606,306 58
Labour.....	758,360 83	906,414 28	912,679 73	2,124,433 61	2,104,016 68	2,299,403 04
Provincial Treasurer.....	13,490,008 29	15,172,277 78	17,449,932 01	2,156,828 30	2,025,171 41	2,134,584 17
Provincial Auditor.....				60,886 51	72,953 83	89,862 90
Provincial Secretary.....	1,226,520 52	1,449,662 57	1,426,757 29	6,084,987 15	5,438,647 49	6,216,616 65
Agriculture.....	339,084 19	476,132 72	445,127 72	1,996,823 18	2,137,832 36	2,239,616 86
Miscellaneous.....				156,307 34	84,069 31	77,926 90
Stationery.....		2,755 47				11,056 22
Total—Excluding Interest..	25,776,320 86	30,819,715 23	36,417,479 84	35,322,429 67	32,692,976 45	34,224,002 72
Interest, Exchange, etc.....	8,333,891 76	9,721,208 42	10,185,323 67	13,510,708 26	16,173,592 43	17,238,175 78
Discount on Loans.....	34,110,212 62	40,540,923 65	46,602,803 51	48,833,137 93	48,866,568 88	51,462,178 50
Deficiency of Ordinary Revenue..	15,195,226 53	8,468,764 51		472,301 22	143,119 28	247,990 00
Total.....	49,305,439 15	49,009,688 16	51,710,168 50	49,305,439 15	49,009,688 16	51,710,168 50

Fiscal Years 1923-25

DEPARTMENT	CAPITAL REVENUE				CAPITAL EXPENDITURE							
	1923		1924		1925		1923		1924		1925	
	\$	c.	\$	c.	\$	c.	\$	c.	\$	c.	\$	c.
Attorney-General.....												
Education.....												
Lands and Forests.....			1,284,456	82	1,499,051	25						
Mines.....	776,512	48			40,694	28						
Game and Fisheries.....												
Public Works.....												
Public Highways.....	1,652,528	08	3,657,117	71	6,929	85						
Provincial Treasurer.....					5,757,238	19						
Provincial Secretary.....												
Agriculture.....												
Stationery.....	67,410	65			3,175	00						
Total.....	2,496,451	21	4,941,574	53	7,307,088	57						
							</					

Comparative Statement of Principal Receipts and Payments

Fiscal Years 1923-1925

	RECEIPTS						PAYMENTS					
	1923		1924		1925		1923		1924		1925	
	\$	c.	\$	c.	\$	c.	\$	c.	\$	c.	\$	c.
Public Debt:												
Bonds, Treasury Bills, etc.....	76,030,667	76	65,543,842	51	47,949,876	50	19,316,198	14	26,375,415	86	49,906,601	15
Loans to Municipalities, Hydro, etc.	1,079,063	94	3,434,098	73	1,117,543	04	17,939,630	73	23,221,447	53	12,565,471	15
(Special Funds).....	337,280	01	635,905	44	721,788	33	677,090	75	25,502	68	266,074	58
Total.....	77,447,011	71	69,613,846	68	49,789,207	87	37,932,919	62	49,622,366	07	62,738,146	88

CAPITAL REVENUE AND EXPENDITURE

Revenue for Year Ended October 31st, 1925

LANDS AND FORESTS DEPARTMENT:

Land Collections—75 per cent.....	\$ 77,906 51	
Bonus and Timber Dues—30 per cent.....	1,270,645 40	
Fire Ranging—23.3 per cent.....	62,497 00	
Forest Ranging—28.5 per cent.....	46,160 90	
Reforestation Refunds.....	1,606 62	
Clearing Townsites and removing fire hazards.....	44 50	
Northern Development—Assistance to Settlers, etc.....	40,190 32	
	<u>\$ 1,499,051 25</u>	

MINES DEPARTMENT: Mining Land Sales..... 40,694 28

PUBLIC WORKS DEPARTMENT: Sale of materials..... 6,929 85

PUBLIC HIGHWAYS DEPARTMENT: Federal, County, Township Repayments, etc..... 5,757,238 19

AGRICULTURE DEPARTMENT: On account of sale of New Liskeard Creamery..... 3,175 00

\$ 7,307,088 57

Expenditure for Year Ended October 31st, 1925

EDUCATION DEPARTMENT:

Guaranteed Debentures—Robillard and Truax.....	\$ 130 78	
Hamilton Technical School—Purchase of Property and Legal Fees.....	32,453 75	
University of Toronto—Buildings.....	98,968 80	
University of Toronto—Buildings (Certificates, Statutory).....	30,000 00	
English and French Training School—Embrun.....	10,703 43	
	<u>\$ 172,256 76</u>	

LANDS AND FORESTS DEPARTMENT:

Forest Ranging.....	\$ 126,217 61	
Forest Reserves.....	489 04	
Fire Ranging.....	276,897 06	
Surveys.....	72,527 39	
Reforestation.....	200,389 75	
Clearing townsites and removing fire hazards.....	25,769 47	
Algonquin Park.....	1,902 58	
Rondeau Park.....	4,037 02	
Quetico Park.....	1,956 27	
Colonization Roads.....	283,909 43	
Northern Development Branch—Roads, Farms, etc.....	2,262,848 61	
	<u>3,256,944 23</u>	

MINES DEPARTMENT: Mineral Collections..... 7,748 18

GAME AND FISHERIES DEPARTMENT:

Purchase of Boats.....	\$ 2,068 25	
Erection of Ponds and Buildings.....	20,657 00	
	<u>22,725 25</u>	

PUBLIC WORKS DEPARTMENT:

Public Buildings.....	\$ 1,899,680 91	
Public Works.....	231,728 89	
Drainage Aid.....	54,624 00	
	<u>2,186,033 80</u>	

PUBLIC HIGHWAYS DEPARTMENT: Road Construction..... 9,349,890 18

PROVINCIAL SECRETARY'S DEPARTMENT:

Provincial Institutions—Buildings.....	\$ 6,770 70	
Provincial Institutions—Land expropriated for Burwash Farm.....	4,017 60	
	<u>10,788 30</u>	

AGRICULTURE: Live Stock..... 18,713 64

\$ 15,025,100 34

PUBLIC DEBT

Proceeds of Loans for the Fiscal Year 1925

Loans—	
Treasury Bills—	
Series "U"—R.S.O. 1914, Cap. 21—	
3.9% 1-year due November 1st, 1925.	
Payable Toronto and New York.	
Par Value.....	\$ 3,000,000 00
Series "V"—14 Geo. V, Cap. 9—	
4¼% 9-months due September 15th, 1925.	
Payable Toronto.	
Par Value.....	\$ 5,000,000 00
Less Exchange on transfer to New York.....	3,125 00
	4,996,875 00
Series "W"—14 Geo. V, Cap. 9—	
3½% 9-months due September 15th, 1925.	
Payable New York.	
Par Value.....	\$ 5,000,000 00
Less Discount.....	18,050 00
	4,981,950 00
Series "X"—R.S.O. 1914, Cap. 39—	
4¼% 2-months due April 28th, 1925.	
Payable New York.	
Par Value.....	5,000,000 00
Series "Y"—15 Geo. V, Cap. 2—	
Payable Toronto and New York.	
3½% 1-year due April 22nd, 1926.	
Par Value.....	\$10,000,000 00
3½% 2-year due April 22nd, 1927.	
Par Value.....	10,000,000 00
	\$20,000,000 00
Less Discount.....	269,340 00
	19,730,660 00
Series "Z"—14 Geo. V, Cap. 9, and R.S.O. 1914, Cap. 21—	
4¼% 1-year due September 15th, 1926.	
Payable Toronto.	
Par Value.....	5,000,000 00
Series "AB"—14 Geo. V, Cap. 9, and R.S.O. 1914, Cap. 21—	
4¼% 1-year due September 15th, 1926.	
Payable New York.	
Par Value.....	5,000,000 00
	\$47,709,485 00
General Sinking Fund for redemption of Public Debt—	
Interest received for reinvestment.....	240,391 50
	<u>\$47,949,876 50</u>

Payments for the Fiscal Year 1925

Inscribed Stock Sinking Fund Instalments.....	\$ 21,954 76
Bonds—	
Series "EE" 3,000,000, 5½% due August 15th, 1924.....	63,000 00
" " "JJ" 5,000,000, 5½% due March 1st, 1925.....	4,995,000 00
" " "L" 6,800,000, 6 % due April 15th, 1925.....	6,771,000 00
" " "L" 4,000,000, 4 % due May 1st, 1925.....	3,996,000 00
Treasury Bills—	
Series "R" 10,000,000, due December 15th, 1924.....	10,000,000 00
" " "T" 6,000,000, due November 1st, 1924.....	6,000,000 00
" " "V" 5,000,000, due September 15th, 1925.....	5,000,000 00
" " "W" 5,000,000, due September 15th, 1925.....	5,000,000 00
" " "X" 5,000,000, due April 28th, 1925.....	5,000,000 00
ProvinMe of Ontario Savings Office—withdrawal of deposits.....	2,766,146 39
General Sinking Fund—Bonds purchased.....	293,500 00
	<u>\$49,906,601 15</u>

LOANS, SPECIAL FUNDS, ETC.

Receipts for Fiscal Year 1925

LOAN REPAYMENTS—	
PRIME MINISTER'S DEPARTMENT—	
Hydro-Electric Power Commission—	
Refund of Advances.....	\$437,621 50
LANDS AND FORESTS—	
Settlers' Loan Commission.....	86,040 46
PROVINCIAL TREASURER—	
Farm Loans.....	60,270 04
Tile Drainage Loans.....	90,505 00
Municipal Drainage Loans.....	32,574 66
Highway Loans.....	14,980 00
Municipal Debentures.....	7,068 41
Soldiers' Aid Commission.....	4,116 50
PROVINCIAL SECRETARY—	
Housing Loans.....	384,148 99
AGRICULTURE—	
J. Brillon, Mortgage.....	217 48
	<u>\$1,117,543 04</u>
SPECIAL FUNDS—	
PROVINCIAL TREASURER—	
Municipal Sinking Funds, Deposits.....	\$126,042 34
Queen Victoria Niagara Falls Park Commission Sinking Fund.....	9,000 00
Land Titles Assurance Fund.....	125,000 00
Registry Office Assurance Fund, Toronto.....	2,541 54
Re Orpington Hospital, Refund of Deposit.....	1,216 67
G. Patullo, District Court Clerk, Deposit in lieu of Bond.....	500 00
PRIME MINISTER—	
Ontario Public Service Superannuation Fund—	
Employees' and Government Contribution.....	457,487 78
	<u>721,788 33</u>
	<u><u>\$1,839,331 37</u></u>

Payments for Fiscal Year 1925

LOANS ADVANCED—	
Hydro-Electric Power Commission.....	\$9,281,714 33
Settlers' Loan Commission, Creameries, etc. (Statutory).....	118,275 00
Soldiers' Aid Commission.....	30,000 00
Debenture Guarantee Act (Statutory).....	5,178 43
Drainage Debentures—Municipal (Statutory).....	26,125 41
Drainage Debentures—Tile (Statutory).....	257,900 00
Agricultural Development Finance Act (Statutory).....	2,700,000 00
Farm Loans Act (Statutory).....	28,625 15
Ontario Housing Act (Statutory).....	97,679 29
Town of Kapuskasing (Statutory).....	19,973 54
	<u>\$12,565,471 15</u>
SPECIAL FUNDS—	
Public Service Superannuation Fund—Allowances and refunds (Statutory).....	\$212,319 80
Municipal Sinking Fund deposits (Statutory).....	37,804 71
Federal Subsidy for Agriculture.....	15,950 07
	<u>266,074 58</u>
	<u><u>\$12,831,545 73</u></u>

HYDRO-ELECTRIC POWER COMMISSION

Amount Advanced to October 31st, 1925

	Hydro System	C. Ontario System	Total
	\$ c.	\$ c.	\$ c.
Amount advanced on Capital Account to October 31st, 1924.....	123,420,195 94	14,265,020 30	137,685,216 24
Advances during current year—see page B2.....	8,719,214 33	562,500 00	9,281,714 33
Less—Refunded during year—see page 43, Statement No. 19..	129,363 76	308,257 74	437,621 50
Net advances, 1925.....	8,589,850 57	254,242 26	8,844,092 83
Total advanced to October 31st, 1925.....	132,010,046 51	14,519,262 56	146,529,309 07
*Province of Ontario Bonds deposited by Commission representing Sinking Fund Investment.....	4,812,000 00		4,812,000 00

*Balance of Sinking Fund to October 31st, 1925, approximately
\$300,000 still to be deposited.

LOANS

As at October 31st, 1925

Drainage Debentures—			
Municipal Drainage Aid Act.....	\$336,829 08		
Tile Drainage Act.....	1,199,614 52		
			\$1,536,443 60
Municipal Debentures—			
Town of Cochrane.....	\$33,514 06		
Town of Kapuskasing.....	60,229 04		
Township of Whitney.....	17,147 85		
Village of Eganville.....	8,107 64		
			118,998 59
Housing Loans—Ontario Housing Act.....			6,955,336 26
Highway Loans—Ontario Highways Acts.....			27,640 00
Settlers' Loans.....			704,013 88
Co-operative Marketing Loan Act.....			1,450 00
School Boards—Guaranteed Debentures—Robillard and Truax.....			392 34
Soldiers' Aid Commission.....			25,883 50
Joseph Brillou—Mortgage.....			7,782 52
			\$9,377,940 69

BUILDINGS, ROADS, ETC.

As at October 31st, 1925

Provincial Buildings and Lands.....	\$31,263,142 92
Queen Victoria Niagara Falls Park—Surplus of Assets.....	1,497,889 79
Improvements to Highways, 1919-1925.....	64,723,311 73
Northern Development—Roads and Farms, 1919-1925.....	11,282,257 42
Colonization Roads—1919-1925.....	2,151,326 35
Hydro Power Plant—Monteith.....	27,061 10
	\$110,944,989 31

BANK BALANCES**As at October 31st, 1925****BALANCES DUE TO BANKS—**

Commerce.....	\$3,554,506 79	
Imperial.....	10,638 94	
Nova Scotia.....	1,398,235 97	
		\$4,963,381 70

BALANCES IN BANKS—

Dominion.....	\$ 26,735 71	
Home.....	1,097,968 97	
Montreal, Toronto.....	114,196 19	
“ Carlton Branch.....	66,698 66	
“ New York Agency.....	239,711 44	
“ London, England.....	9,327 45	
National City, New York.....	4,211 81	
Royal.....	230,283 69	
Standard.....	9,953 04	
Toronto.....	33,570 65	
		1,832,657 61
		<u>\$3,130,724 09</u>

ACCOUNTS RECEIVABLE**As at October 31st, 1925****Lands and Forests—**

Timber dues, fire protection and ground rent.....	\$2,038,014 67	
Crown lands and interest—estimated.....	816,066 98	
		\$2,854,081 65

Northern Development—Unexpended balances, and notes outstanding.....		306,947 43
Sale of Central Prison and Toronto Asylum properties—balance.....		473,320 00
Succession Duties.....		250,000 00
Municipalities—Mothers' Allowances.....		109,623 50
Public Service Superannuation Fund—		
Government contribution, 1925.....	\$250,544 10	
Employees—1925 balance.....	14,687 41	
		265,231 51

Agricultural Development Debentures—Accrued Interest to date.....		299,994 35
		<u>\$4,559,198 44</u>

PLANT, LIVESTOCK, STORES AND EQUIPMENT**As at October 31st, 1925**

Ontario Government Dispensaries.....	\$1,295,510 45
Public Institutions.....	820,042 91
King's Printer—Stationery stock.....	52,132 33
Ontario Butter Grading Stations.....	31,513 34
	<hr/>
	\$2,199,199 03
	<hr/>

DEFERRED ASSETS**As at October 31st, 1925**

Town of Matheson—

Debentures and Interest paid under Debenture Guarantee Act.....	\$ 29,522 95
Ottawa Separate Schools Commission—	
Promissory Notes paid.....	53,902 23
Farmers' Bank—Balance.....	26,533 16
Reception Hospital for the Insane Fund.....	2,768 28
	<hr/>
	\$112,726 62
	<hr/>

DISCOUNT ON LOANS, 1923-1925

Discount on Long Term Loans—

"A.D." Loan 20 years.....	\$ 82,000 00
"A.F." " 25 "	1,651,880 32
"A.G." " 20 "	1,026,060 00

\$2,759,940 32Less—Charged off to date.....

204,250 00**\$2,555,690 32**

Discount on Treasury Bills—

"Y." 2 years.....	\$269,340 00
Less—Charged off to date.....	105,340 00

164,000 00

\$2,719,690 32

PROVINCE OF ONTARIO STOCK AND DEBENTURES AS AT OCTOBER 31st, 1925

Maturity	Rate	Date of Issue	Amount Outstanding	Authority	Interest Dates	Payable at	Denominations	Exemptions	Series	Nature
Mar. 1, 1926	4%	Mar. 1, 1916	\$ 8,350,000	6 Geo. V., Cap. 18	1 Mar. & Sept.	Prov. Treas., Bk. Mtl., N.Y. or London, England	\$ 1,000	None	M	Bonds
June 1, 1926	5	June 1, 1916	4,000,000	6 Geo. V., Cap. 2	1 June & Dec.	Prov. Treas., Nat. City Bk., N.Y. & Bk. Mtl., London	1,000	None	....	Bonds
July 1, 1926	3½	July 1, 1906	3,000,000	5 Ed. VII., Cap. 2	1 Jan. & July	Prov. Treas.	1,000	Free from	....	{Bonds & {
July 1, 1936				6 Ed. VII., Cap. 4	1 June & Dec.	Prov. Treas., & Bk. Mtl., N.Y.	500	Succ. Duty	N	{Stock Bonds
Dec. 1, 1926	5	Dec. 1, 1916	2,000,000	R.S.O. 1914, Cap. 39	1 June & Dec.	Prov. Treas., & Bk. Mtl., N.Y.	1,000	None	R	Bonds
July 2, 1927	5	July 2, 1917	225,000	6 Geo. V., Cap. 18	1 Jan. & July	Bk. Mtl., N.Y.	1,000 & 500	None	....	Stock
Nov. 1, 1927	6	Nov. 1, 1921	525,000	7 Geo. V., Cap. 2	1 May & Nov.	Prov. Treas., Bk. Mtl., M. & N.Y.	1,000	None	PP	Bonds
Nov. 15, 1927	6	Nov. 15, 1920	5,000,000	R.S.O. 1914, Cap. 39	15 May & Nov.	Prov. Treas., Bk. Mtl., M. & N.Y. or Winnipeg	1,000 & 500 & 100	None	T & U	Bonds
Feb. 1, 1928	6	Feb. 1, 1918	3,000,000	7 Geo. V., Cap. 2	1 Feb. & Aug.	Prov. Treas., Bk. Mtl., M. & N.Y.	1,000 & 500 & 100	None	VWX	Bonds
May 15, 1928	6	May 15, 1918	4,250,000	8 Geo. V., Cap. 2	15 May & Nov.	Prov. Treas., Bk. Mtl., M. & N.Y.	1,000 & 500 & 100	None	Y	Bonds
Aug. 15, 1928	6	Aug. 15, 1918	1,750,000	8 Geo. V., Cap. 2	15 Feb. & Aug.	Prov. Treas., Bk. Mtl., N.Y.	1,000 & 500 & 100	None	FF	Bonds
Sept. 23, 1929	5½	Sept. 23, 1919	4,000,000	R.S.O. 1914, Cap. 39	23 Mar. & Sept.	Prov. Treas., Bk. Mtl., N.Y.	1,000	None	GG	Bonds
Dec. 1, 1929	5½	Dec. 1, 1919	3,000,000	R.S.O. 1914, Cap. 39	1 June & Dec.	Prov. Treas., Bk. Mtl., N.Y.	1,000	None	HH	Bonds
Jan. 1, 1930	5½	Jan. 1, 1920	3,000,000	R.S.O. 1914, Cap. 39	1 Jan. & July	Prov. Treas., Bk. Mtl., N.Y.	1,000	None	MM	Bonds
June 15, 1930	6	June 15, 1920	8,000,000	R.S.O. 1914, Cap. 39	15 June & Dec.	Prov. Treas., Bk. Mtl., M.	1,000 & 500	None	Sup. Teachers	Bond
Oct. 31, 1930	6	Oct. 30, 1920	2,000,000	10 Geo. V., Cap. 99	Apr. 30 & Oct. 31	Prov. Treas.	1 Bond	None	KK	Bonds
Apr. 1, 1935	6	Apr. 1, 1920	2,000,000	R.S.O. 1914, Cap. 39	1 Apr. & Oct.	Prov. Treas., & Bk. Mtl., M.	1,000	None	RR	Bonds
Dec. 1, 1935	6	Dec. 1, 1920	16,000,000	R.S.O. 1914, Cap. 39	1 June & Dec.	Prov. Treas., & Bk. Mtl., M. or Winnipeg.	1,000	None		Bonds

May 2, 1936	6	1 May	2, 1921	15,000,000	R.S.O. 1914, Cap. 39	2 May & Nov.	Prov. Treas., Bk. Mtl., Montreal	1,000 & 500	None	TT	Bonds
Jan. 3, 1937	5½	Jan. 3, 1922		15,000,000	11 Geo. V., Cap. 7	3 Jan. & July	Prov. Treas., Bk. Mtl., M. or N.Y.	1,000	None	ZZ	Bonds
June 1, 1939	4	June 1, 1909		1,150,000	5 Ed. VII., Cap. 2 & 3	1 June & Dec.	Prov. Treas., or Bk. Mtl., Mont.	1,000 & 500	None	....	Bonds & Stock
June 1, 1939	4	June 1, 1909		3,500,000	9 Ed. VII., Cap. 8	1 June & Dec.	Prov. Treas., Bk. Mtl., M. or N.Y.	1,000 & 500	Free from Succ. Duty	A	Bonds & Stock
Feb. 1, 1941	6	Feb. 1, 1921		10,000,000	R.S.O. 1914, Cap. 39	1 Feb. & Aug.	Prov. Treas., & Bk. Mtl., M.	1,000 & 500	None	SS	Bonds
May 1, 1941	4	May 1, 1911		498,600	1 Geo. V., Cap. 9	1 May & Nov.	Prov. Treas., Bk. Mtl. M. or New York	1,000 & 500	Free from Succ. Duty	B	Bonds & Stock
Nov. 1, 1941	4	Nov. 1, 1911		3,000,000	1 Geo. V., Cap. 4	1 May & Nov.	Prov. Treas., Bk. Mtl., M. or N.Y.	1,000 & 500	Free from Succ. Duty	C & D	Bonds & Stock
Oct. 1, 1942	5	Oct. 2, 1922		20,000,000	12-13 Geo. V., Cap. 8	1 Apr. & Oct.	Prov. Treas., Bk. Mtl., M. or N.Y.	1,000	None	AC	Bonds
Dec. 1, 1942	5½	Dec. 1, 1922		20,000,000	12-13 Geo. V., Cap. 8	1 June & Dec.	Prov. Treas., & Bk. Mtl., M.	1,000 & 500	None	AD	Bonds
Sept. 15, 1943	6	Sept. 15, 1921		15,000,000	R.S.O. 1914, Cap. 39	15 Mar. & Sept.	Prov. Treas., Bk. Mtl., M. or N.Y.	1,000	None	UU & XX	Bonds
Sept. 15, 1943	6	Sept. 15, 1921		15,000,000	R.S.O. 1914, Cap. 39	15 Mar. & Sept.	Prov. Treas., Bk. Mtl. M. or Winnipeg	1,000 & 500	None	WW & YY	Bonds
Sept. 1, 1944	4½	Sept. 1, 1924		20,000,000	14 Geo. V., Cap. 9	1 Mar. & Sept.	Prov. Treas., or Agents of Prov. Treas. in Montreal, New York, or London, Eng.	1,000	None	AG	Bonds
Oct. 15, 1948	5	Oct. 15, 1923		40,000,000	13-14 Geo. V., Cap. 2	15 Apr. & 15 Oct.	Prov. Treas., Can. Bk. Commerce, Halifax, St. John, N.B., Montreal, Win- nipeg, or Vancouver	500 & 1,000	None	AF	Bonds
Apr. 1, 1952	5	Apr. 1, 1922		15,000,000	R.S.O. 1914, Cap. 39	1 Apr. & Oct.	Prov. Treas., Bk. Mtl., M. or N.Y.	1,000	None	AB	Bonds
On Demand	5	.....		9,350,000	9 Geo. V., Cap. 54	.....	Prov. Treas.	.....	None	Dom. of Can. Housing Loans	Bonds
Jan. 1, 1946 £422,549/4/10	3½	Jan. 1, 1906		2,056,406.30	5 Ed. VII., Cap. 2 & 3	1 Jan. & July	Bk. Mtl., London, England	.....	None	.....	Inscribed Stock
May 1, 1947 £319,692/16/4	4	May 1, 1909		1,555,838.37	2 Geo. V., Cap. 2	1 May & Nov.	Bk. Mtl., London, England	.....	Free from Succ. Duty	.....	Inscribed Stock
Jan. 1, 1965 £171,454/12/8	4½	Jan. 1, 1914		834,412.54	4 Geo. V., Cap. 9	1 Jan. & July	Bk. Mtl., London, England	.....	Free from Succ. Duty	.....	Inscribed Stock
				277,045,257.21							

Indirect Liabilities and Guarantees of the Province of Ontario

As at October 31st, 1925

(1) Niagara Falls Park Bonds—50 Vic., c. 13.....		\$525,000 00	
57 Vic., c. 13.....		75,000 00	
8 Edw., VII, c. 29.....		100,000 00	
10 Edw. VII, c. 21.....		200,000 00	
		<hr/>	
		\$900,000 00	
Less Sinking Fund payments with accrued interest.....		503,993 13	
		<hr/>	
			\$396,006 87
NOTE.—The income of the Park Commission from leases of power, etc., was sufficient to pay all maintenance and interest charges and leave a balance available for capital expenditure.			
(2) University of Toronto.			
Guaranteed by the Province of Ontario, under authority Order-in-Council, 15th July, 1908, and 16th June, 1909, Debentures of above University, payable 15th July, 1910, to 15th July, 1949, 40 years, \$500,000.00.			
Present value for 24 years at 4 per cent.....		\$385,138 20	
University of Toronto.			
Guaranteed by the Province of Ontario, under authority Order-in-Council, 7th April, 1911, Debentures of above University, payable 1st January, 1912, to 1st January, 1951, 40 years, \$130,000.00.			
Present value for 26 years at 4 per cent.....		104,974 83	
University of Toronto.			
Guarantee of the Province of Ontario, under authority Order-in-Council, May, 1912, Debentures of above University, payable 1st January, 1912, to 1st January, 1951, 40 years, \$300,000.00.			
Present value for 26 years at 4 per cent.....		242,250 84	
University of Toronto.			
Guarantee by the Province of Ontario, under authority Order-in-Council, April 14th, 1915, Debentures of above University, payable 1st January, 1915, to 1st January, 1954, 40 years, \$110,000.00.			
Present value for 30 years at 4½ per cent.....		97,326 11	
University of Toronto.			
Guarantee by the Province of Ontario, under authority Order-in-Council, June 17th, 1924, Debentures of above University, payable July 15th, 1925, to July 15th, 1944, 20 years, \$200,000.00.			
Present value for 19 years at 5 per cent.....		120,853 20	
		<hr/>	
			950,543 18
(3) Town of Bruce Mines.			
R.S.O. 1914, cap. 266.			
January 1st, 1918, to January 1st, 1947, 6 per cent.....			21,870 20

Indirect Liabilities and Guarantees of the Province of Ontario—Continued

(4) Town of Matheson.			
7 Geo. V, cap. 9.			
June 1st, 1923, to June 1st, 1937, 6 per cent.....	\$4,316	11	
9 Geo. V, cap. 4.			
April 1st, 1920, to April 1st, 1949, 6 per cent.....	28,720	82	
9 Geo. V, cap. 4.			
May 6th, 1924, to May 6th, 1948, 6 per cent.....	35,753	09	
			\$68,790 02
(5) Town of Capreol.			
10-11 Geo. V, cap. 7.			
December 1st, 1922, to December 1st, 1939, 6 per cent.....			7,918 71
(6) Township of Tisdale.			
7 Geo. V, cap. 9.			
Dec. 31st, 1917, to Dec. 31st, 1931, 6 per cent.....	\$14,369	44	
7 Geo. V, cap. 9.			
Dec. 31st, 1917, to Dec. 31st, 1931, 6 per cent.....	5,747	78	
Statute Law Amendment Act, 1918, sec. 67.			
July 1st, 1918, to July 1st, 1932, 6 per cent.....	5,747	78	
			25,865 00
(7) Town of Cochrane.			
7 Geo. V, cap. 9.			
May 1st, 1918, to May 1st, 1947, 5 per cent.....	\$34,250	88	
14 Geo. V, cap. 3.			
July 2nd, 1925, to July 2nd, 1944, 5½ per cent.....	38,852	83	
14 Geo. V, cap. 3.			
July 2nd, 1924, to July 2nd, 1943, 5½ per cent.	103,517	03	
			176,620 74
(8) Town of Haileybury.			
14 Geo. V, cap. 3.			
April 1st, 1925, to April 1st, 1944, 6 per cent.....	\$19,456	29	
April 15th, 1925, to April 15th, 1944, 6 per cent.....	1,677	39	
April 1st, 1925, to April 1st, 1934, 6 per cent.....	3,424	51	
July 15th, 1924, to July 15th, 1943, 6 per cent.....	14,160	02	
February 12th, 1925, to February 12th, 1934, 6 per cent.	4,620	66	
May 10th, 1925, to May 10th, 1934, 6 per cent.....	14,987	15	
April 15th, 1925, to April 15th, 1944, 6 per cent.....	2,288	66	
			60,614 68
(9) Board Trustees, R.C. Sep. School, Town of Timmins.			
7 Geo. V, cap. 27.			
December 1st, 1918, to December 1st, 1937, 5 per cent.	\$22,612	94	
9 Geo. V, cap. 4.			
Nov. 1st, 1919, to Nov. 1st, 1938, 6 per cent.....	12,155	66	
14 Geo. V, cap. 3 and 15 Geo. V, cap. 3.			
April 1st, 1926, to April 1st, 1940, 5½ per cent.....	128,000	00	
14 Geo. V, cap. 3 and 15 Geo. V, cap. 3.			
April 1st, 1926, to April 1st, 1940, 5½ per cent.....	72,000	00	
			234,768 60
(10) Presqu'île Park Commission.			
13-14 Geo. V, cap. 6.			
Payable May 1st, 1943, 6 per cent.....			20,000 00

Indirect Liabilities and Guarantees of the Province of Ontario—Continued**(11) Town of Kapuskasing.**

14 Geo. V, cap. 3.

August 1st, 1925, to August 1st, 1945, 6 per cent. \$80,000 00

(12) Guarantees under the authority of the Municipal Housing

Act, 1920, sec. 4.

Beaverton.....	\$6,157 49
Cochrane.....	68,509 15
Fergus.....	1,471 80
Ford City.....	315,531 44
Kitchener.....	114,312 34
Listowel.....	50,960 39
London.....	264,323 40
Niagara Falls.....	68,785 76
Oshawa.....	188,212 80
Riverside.....	185,659 16
Point Edward.....	41,543 57
Sarnia.....	132,871 91
Sioux Lookout.....	23,599 96
Stamford Township.....	89,510 50
Sudbury.....	128,728 50
Tilbury.....	40,331 83
Walkerville.....	263,882 67
Windsor.....	833,560 08

2,817,952 75

(13) Guarantees by the Province of Ontario under authority of section 6b of the Department of Education Act and Amendments.....

2,613,183 56

(14) Hydro-Electric Power Commission of Ontario.

Guarantees given by the Province in respect of bond and other liabilities assumed by and bonds issued by the Commission:

Forty year 4 per cent. Debentures of the Commission given in purchase of the Capital Stock of the Ontario Power Company, due 1st August, 1957..... \$8,000,000 00

Twenty year 6 per cent. Debentures (due in 1941), issued by the Commission for the purpose of retiring debentures of the Ontario Power Company, which matured in 1921..... 3,200,000 00

First Mortgage Bonds of the Ontario Power Company, due 1st February, 1943 8,722,000 00

First Mortgage 5 per cent. Bonds of the Ontario Transmission Co., Limited, due 1st May, 1945..... 1,508,000 00

 \$21,430,000 00
Re Essex System.

Forty year 4 per cent. Debentures of the Commission, due 1st June, 1958.... \$200,000 00

Ten year 5 per cent. Debentures of the Commission, due 1st June, 1928..... 26,000 00

 226,000 00

Indirect Liabilities and Guarantees of the Province of Ontario—Continued

Re Thorold System.

Forty year 4 per cent. Debentures of the Commission due 1st December, 1958.....	\$100,000 00
--	--------------

Re Sandwich Windsor and Amherstburg
Railway.

Forty year 4½ per cent. Bonds of the Commission, due April 1st, 1960.....	\$2,100,000 00
Forty year 6 per cent. Debentures of the Commission, due 1st July, 1961.....	900,000 00
Twenty year 5 per cent. Bonds of the Commission, due 1st September, 1943...	966,205 00
	3,966,205 00

Re Port Credit and St. Catharines Railway.

Fifty year 5 per cent. Bonds of the Commission, due 1st November, 1969.....	500,000 00
--	------------

Re Toronto Power Company.

Twenty year 6 per cent. Bonds of the Commission, due 1st December, 1940, given in part purchase of the Capital Stock of the Toronto Power Company..	\$619,000 00
4½ per cent. Guaranteed Debenture Stock of the Toronto Power Company, due 1st May, 1941.....	10,655,566 71
Fifteen year 5 per cent. Bonds of the Commission, due 15th June, 1939.....	4,000,000 00
	15,274,566 71

Re Toronto and York Radial Railway Com-
pany and the Schomberg and Aurora
Railway Co.

Twenty year 6 per cent. Bonds of the Commission, due 1st December, 1940, given in purchase of the Capital Stock of the Toronto and York Radial Railway Co., and the Schomberg and Aurora Railway Co.....	\$2,375,000 00
Twenty year 6 per cent. Bonds of the Commission, due 1st December, 1940...	600,000 00
	2,975,000 00
	44,471,771 71

\$51,945,906 02

INVESTMENTS FOR REDEMPTION OF PROVINCE OF ONTARIO STOCK AND DEBENTURES

As at October 31st, 1925

	As at October 31st, 1924	Purchased during year	As at October 31st, 1925
INSCRIBED STOCK SINKING FUNDS:	\$ c.	\$ c.	\$ c.
3½% Stock due 1946—Par value Bonds..	802,171 53	46,786 28	848,957 81
4 % Stock due 1947— “ “ “ ..	718,940 00	42,093 04	761,033 04
4½% Stock due 1965— “ “ “ ..	217,580 56	15,173 29	232,753 85
	1,738,692 09	104,052 61	1,842,744 70
GENERAL SINKING FUND:			
3½% Bonds and Stock due 1926	458,500 00		458,500 00
6 % “ Series “KK” due 1935	2,000 00		2,000 00
6 % “ “ “RR” “ 1935	5,000 00	4,000 00	9,000 00
3½% “ and Stock “ 1936	1,080,000 00		1,080,000 00
6 % “ Series “TT” “ 1936		100,000 00	100,000 00
4 % “ “ “A” “ 1939	2,627,900 00		2,627,900 00
4 % “ “ “B” “ 1941	153,600 00		153,600 00
4 % “ “ “CD” “ 1941	1,171,600 00		1,171,600 00
6 % “ “ “SS” “ 1941	52,500 00	52,500 00	105,000 00
5½% “ “ “AD” “ 1942	152,500 00	87,000 00	239,500 00
6 % “ “ “UU” “ 1943	6,000 00	3,000 00	9,000 00
6 % “ “ “WW” “ 1943	48,500 00	27,000 00	75,500 00
6 % “ “ “XX” “ 1943		2,000 00	2,000 00
6 % “ “ “YY” “ 1943	25,500 00	18,000 00	43,500 00
	5,783,600 00	293,500 00	6,077,100 00
TOTAL—Ontario Bonds and Stock Purchased..	7,522,292 09	397,552 61	7,919,844 70
INSCRIBED STOCK SINKING FUNDS:			
Funds in hands of Bank of Montreal, London for purchase of Stock—			
British Treasury Bills, £15,000 at cost ..		72,405 33	
Cash on deposit at Interest		11,913 76	
			84,319 09
			<u>\$8,004,163 79</u>

RAILWAY AID AND ANNUITIES

Statement showing amounts payable annually for certificates issued by the Treasurer of the Province for Aid to Railways and Annuities

Year	Railway Aid Certificates	Annuities	Year	Railway Aid Certificates	Annuities
	\$ c.	\$ c.		\$ c.	\$ c.
			Forward....	1,775,840 78	503,400 00
1925.....		37,750 00	1941.....	67,943 75	.....
1926.....	139,112 54	69,350 00	1942.....	31,818 40	.....
1927.....	139,112 54	56,950 00	1943.....	24,920 51	.....
1928.....	139,112 54	50,700 00	1944.....	22,695 08	.....
1929.....	139,112 54	50,700 00	1945.....	18,251 86	.....
1930.....	138,412 94	50,700 00	1946.....	18,251 86	.....
1931.....	134,914 94	43,700 00	1947.....	18,251 86	.....
1932.....	127,918 94	32,700 00	1948.....	18,251 86	.....
1933.....	125,120 54	28,700 00	1949.....	6,871 26	.....
1934.....	123,021 74	28,700 00	1950.....	699 60	.....
1935.....	111,128 54	24,700 00			
1936.....	105,090 01	16,700 00			
1937.....	94,459 80	9,200 00			
1938.....	90,961 80	2,850 00			
1939.....	86,122 35	.....		
1940.....	82,239 02	.....		
Forward.....	1,775,840 78	503,400 00	TOTALS....	2,003,796 82	503,400 00

PROVINCE OF ONTARIO SAVINGS OFFICE**Statement Showing Deposits and Investment thereof
As at October 31st, 1925**

DEPOSITS BY PUBLIC INCLUDING INTEREST TO OCTOBER 31ST, 1925..... \$19,222,689 56
INVESTMENT THEREOF:

Agricultural Development Finance Act—

Bonds and Debentures of Agricultural Development Bd. \$10,088,000 00

Farm Loans Act—Short Term Loans..... 181,299 52

Dominion of Canada—\$1,000,000 5½% Victory Bonds,
1934..... 1,041,337 50

Savings Offices—

Cash on hand and in Banks..... \$786,981 27

Accounts Receivable..... 1,000 00

Fixtures (Depreciated value)..... 16,433 12

804,414 39

12,115,051 41

BALANCE IN CONSOLIDATED REVENUE FUND..... \$7,107,638 15

ACCOUNTS PAYABLE**As at October 31st, 1925**

Accounts due by Departments..... \$342,706 22

Bonds matured but not presented for payment..... 38,000 00

Dominion of Canada—Common School Fund..... 837 72

Outstanding Cheques—defunct Banks..... 285 06

\$381,829 00

SPECIAL FUNDS**As at October 31st, 1925**

Ontario Public Service Superannuation Fund—See page 22..... \$1,400,460 14

Municipal Sinking Funds—Deposits..... 1,096,417 17

Queen Victoria Niagara Falls Park Commission—Sinking Fund Deposit..... 503,993 13

Agricultural Development Board—Sinking Fund Deposit..... 36,000 00

Assurance Fund under Land Titles Act..... 235,000 00

Assurance Fund—Toronto Registry Office..... 2,541 54

Redemption of Ontario Bonds and Stock—Interest on Investments received for
reinvestment..... 169,554 20

Federal Subsidy for Agriculture—Balance unexpended..... 37,676 68

Deposit in lieu of Bond—G. Patullo..... 500 00

Agricultural Development Finance Act—Reserves.

Province of Ontario Savings Office..... 100,578 44

For Farm Loans..... 19,767 32

Restitution Account Suspense—P. Smith.

Bonds not yet realized..... 4,802 60

\$3,607,291 22

PUBLIC SERVICE SUPERANNUATION FUND

10-11 Geo. V, Cap. 4.

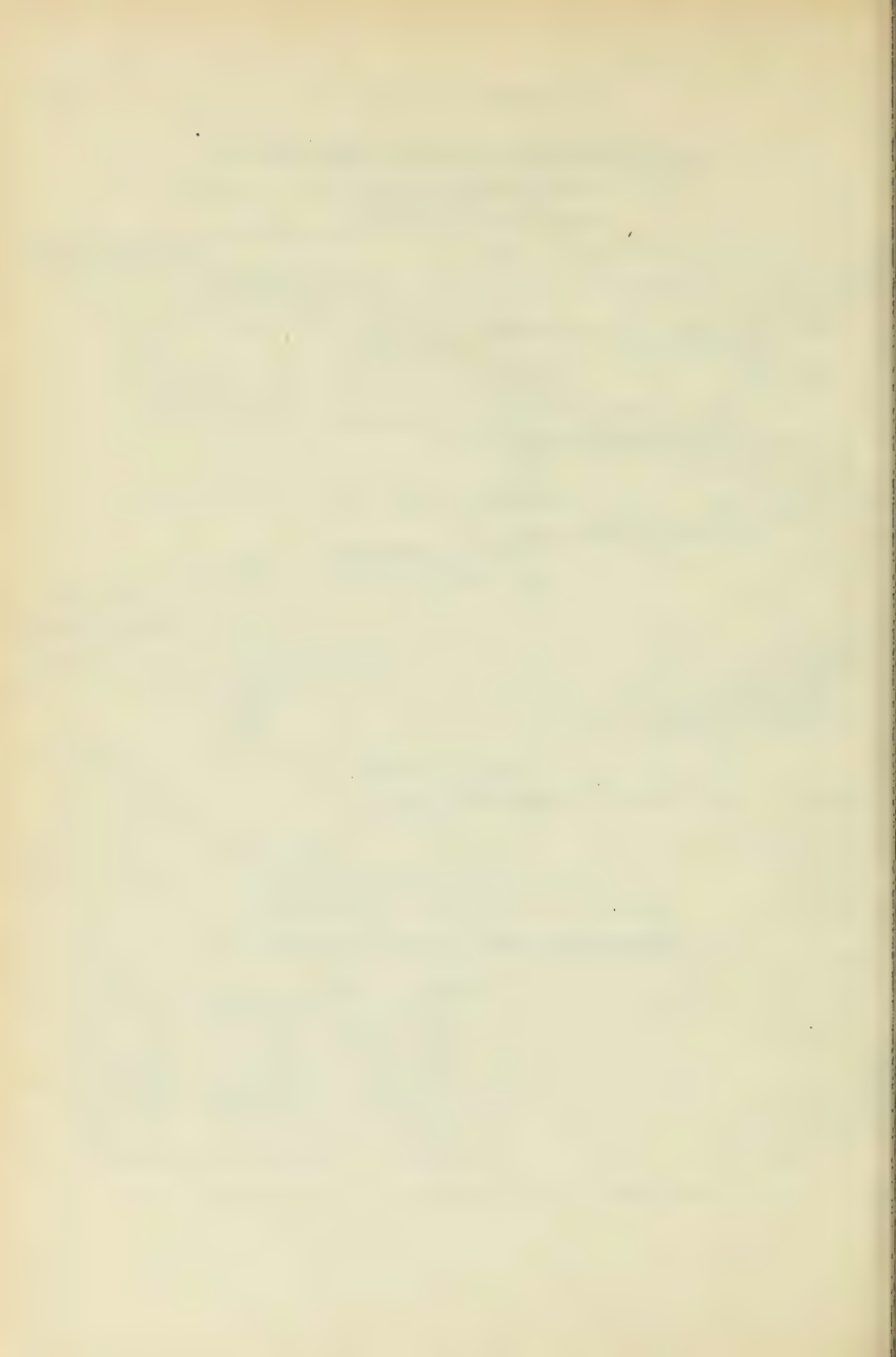
As at October 31st, 1925

Balance at credit of Fund—November 1st, 1924.			\$1,146,719 28
Contributions to Fund—			
By Employees.....		\$215,516 56	
By Government—			
(Employees, \$215,516.56; less refunds,			
\$34,208.73).....	\$181,307 83		
For Sheriffs, 12-13 Geo. V, Cap. 5, Sec. 3	7,407 66		
Interest—			
On balance to credit of Fund at			
November 1st, 1924.....	57,335 96		
On Employees' contributions	\$4,254 32		
On Government “	4,254 32		
	\$8,508 64		
Less interest allowed Gov-			
ernment on payments.	4,015 99		
	4,492 65		
		250,544 10	
			466,060 66
			\$1,612,779 94
Deduct—			
Benefits Paid—			
Allowances.....		\$167,568 09	
Lump sum payments.....		7,352 57	
Interest on refunds.....		3,190 41	
Refunds under Sec. 9.....		34,208 73	
			212,319 80
Balance at credit of Fund at October 31st, 1925.....			\$1,400,460 14

STATEMENT OF RECEIPTS AND EXPENDITURES

November 1st, 1920, to October 31st, 1925

Year	Receipts	Expenditure	Surplus
	\$ c.	\$ c.	\$ c.
1921.....	331,412 32	62,709 95	268,702 37
1922.....	406,744 96	111,728 78	295,016 18
1923.....	485,151 01	170,199 39	314,951 62
1924.....	467,864 22	199,815 11	268,049 11
1925.....	466,060 66	212,319 80	253,740 86
Total.....	2,157,233 17	756,773 03	1,400,460 14



REPORT
TO
THE PROVINCIAL TREASURER
ON
PLAN OF THE RETIREMENT OF THE
PROVINCIAL DEBT OF ONTARIO

BY

R. A. DALY

Representing The Investment Bankers' Association of Canada

J. A. C. KEMP

Representing The Canadian Bankers' Association

F. MARTIN TURNBULL

Financial Controller of the Province of Ontario

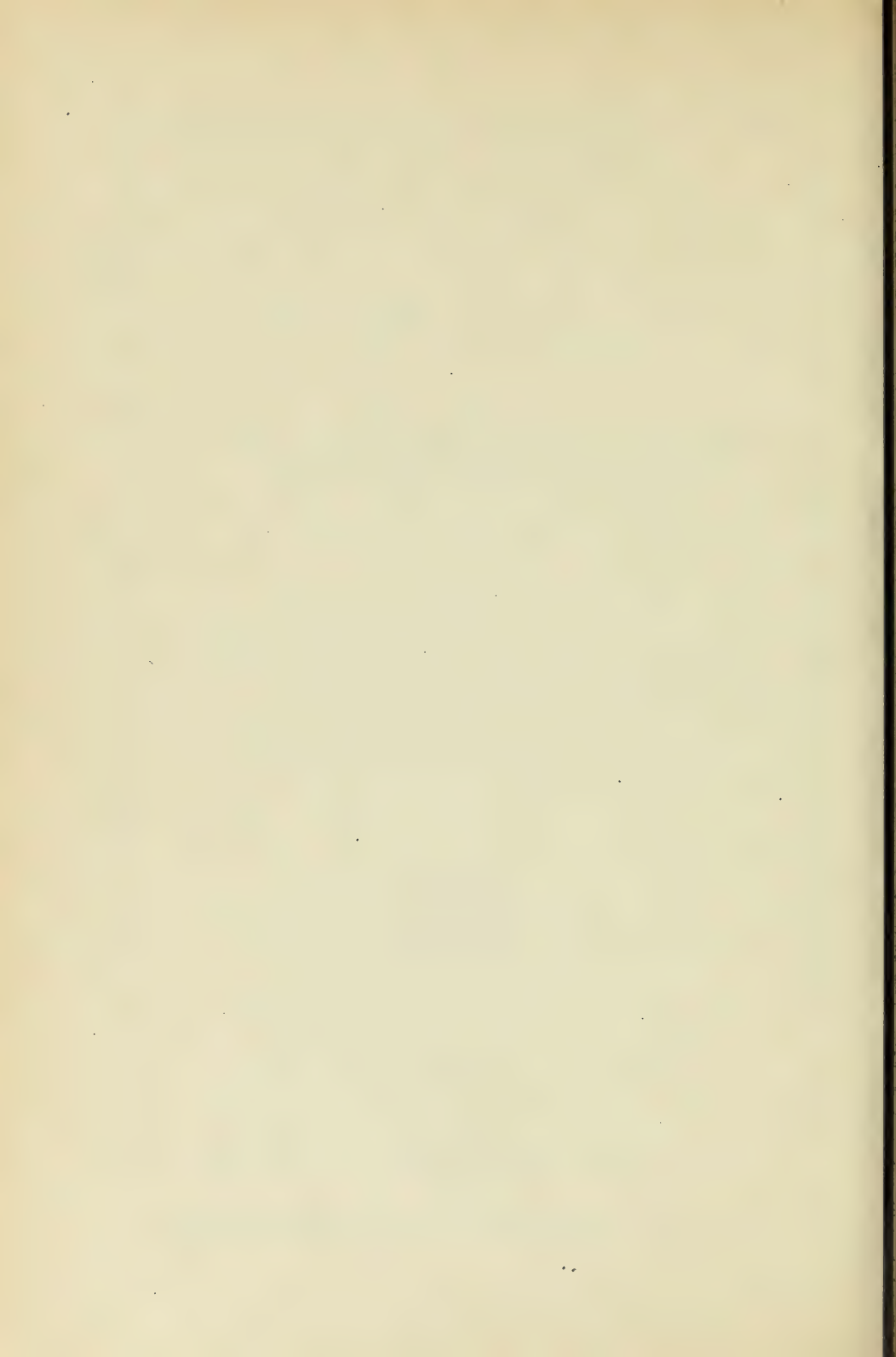


ONTARIO

TORONTO

Printed and Published by Clarkson W. James, Printer to the King's Most
Excellent Majesty

1926



REPORT
TO
THE PROVINCIAL TREASURER
ON
PLAN OF THE RETIREMENT OF THE
PROVINCIAL DEBT OF ONTARIO

INDEX

Preface:

- Section 1. Province now operating at a deficit.
- " 2. Government to provide money necessary for Plan.
- " 3. Necessity for retirement of Debt.
- " 4. Necessity of placing future borrowings on sound Basis.

Future Financing:

- Section 5. Temporary Financing.
- " 6. Instalment Bonds recommended.
- " 7. Reasons for advocating Instalment Bonds.
- " 8. Two types of Instalment Bonds.
- " 9. Comparison of cost of \$1,000,000 40-year 5 per cent. Issue under Instalment and Sinking Fund Plans.

Present Debt:

- Section 10. Outline of Present Liabilities.
- " 11. Instalment Bond principle applied to retirement of Present Debt:
 - " "Provincial" Debt;
 - " "Hydro" Debt.
- " 12. Amounts to be provided out of Revenue to give effect to Retirement Plan.
- " 13. Results to be achieved by adoption of Plan.
- " 14. Summary of recommendations.

Schedules:

- No. 1. "Provincial" Debt—Schedule of Retirement.
- " 2. "Hydro" debt—Schedule of Retirement.
- " 3. "Maturities each year of Present Debt outstanding.
- " 4. Total Present Debt—Schedule of Retirement (Summary).
- " 5. Additional amounts to be provided out of Revenue under Plan.

Tables and Graphical Charts:

- (a) Growth of Ordinary Revenue and Expenditure.
- (b) Growth of Public Debt.
- (c) Growth of Interest Payments.
- (d) Analysis of Total Present Debt.
- (e) Method of Retirement of Present Debt.
- (f) Debt Retirement and Interest payable each year under Plan.

TORONTO, ONT.,
15th March, 1926.

HON. W. H. PRICE, K.C.,
Provincial Treasurer of Ontario,
Parliament Buildings,
Toronto.

Sir,—The Committee appointed to advise the Government of the Province of Ontario on the matter of the retirement of the capital debt of the Province, herewith submits its report:—

Sec. 1 Province Now Operating at a Deficit:

We have been faced with the fact that the ordinary expenditure of the Province is still greater than its ordinary revenue.

The total amounts of ordinary revenue and expenditure of the Province, according to the Public Accounts, for the ten years ended 31st October, 1924, are shown below. It is probable, however, that the figures quoted would be subject to considerable adjustment, to bring them to a uniform basis throughout the period as regards the division between "Ordinary" and "Capital."

Year	Revenue	Expenditure	Year	Revenue	Expenditure
1915	\$12,975,732	\$12,704,362	1920	\$25,078,094	\$25,880,842
1916	13,841,339	12,706,332	1921	29,261,447	28,579,687
1917	18,269,597	16,518,222	1922	38,507,311	37,442,985
1918	19,270,123	17,460,404	1923	34,110,212	48,833,137
1919	19,904,772	21,464,574	1924	40,540,923	48,866,568

The accounts for the year ended 31st October, 1925, show a deficit of approximately \$5,000,000. It is quite apparent that the extinction of the debt can be effected only out of revenue. Any plan of retirement, sinking fund or other, maintained by means of borrowed money is worse than none at all, not only because it is a constant source of labour and expense, but because it creates a false sense of security. For the purpose of working out a plan, we have therefore presupposed the balancing of the budget in the year ending October 31st, 1926, and the commencement of its operation in the succeeding year.

Sec. 2 Government to Provide Money Necessary for Plan:

The basis of the plan which is to follow, rests on the provision of the necessary funds out of revenue, and it has been assumed that such necessary revenue will be forthcoming.

Sec. 3 Necessity for Retirement of Debt:

We take for granted that no one will question that the debt should eventually be retired; otherwise, with new debts being created from time to time, the people of the Province will be taxed for interest increasing in amount year after year.

The total Debt of the Province (exclusive of guaranteed obligations) outstanding at the close of each of the past ten years, and the interest charges paid, have grown as follows:—

Debt			Debt		
Year	Outstanding	Interest Payments	Year	Outstanding	Interest Payments
1916	\$59,543,410	\$1,637,570	1921	\$204,575,267	\$7,725,862
1917	62,271,398	2,251,097	1922	240,506,172	11,761,784
1918	75,724,385	2,523,376	1923	290,542,938	13,510,708
1919	96,952,373	3,573,805	1924	324,557,134	16,173,592
1920	128,340,759	5,050,688	1925	324,923,473	17,238,175

In comparing the interest charges with the amount of debt outstanding each year, it should be borne in mind that there is considerable overlapping. For example, a \$20,000,000 4½% loan, issued in September 1924, is included in the debt outstanding for 1924, but no interest charges would be payable until the 1925 fiscal year.

The guaranteed obligations, and annual interest charges thereon have grown as follows:—

Annual Interest			Annual Interest		
Year	Principal	Interest	Year	Principal	Interest
1916	\$10,632,820	\$393,057	1921	\$25,372,105	\$1,097,754
1917	19,064,317	738,612	1922	46,832,574	2,279,523
1918	19,120,269	743,444	1923	46,941,675	2,309,792
1919	19,205,142	748,323	1924	49,992,658	2,461,396
1920	20,744,936	819,258	1925	51,945,906	2,585,798

Present Sinking Funds

Sinking Funds provided for the retirement of the debt have grown during the last ten years as follows:—

Year	Hydro-Electric Sinking Fund Investments Deposited	Sterling Inscribed Stock Sinking Fund	General Sinking Fund	Total	Per cent. to total Bonds and Stock Outstanding
	\$	\$	\$	\$	%
1916	325,000	730,514	.....	1,055,514	2.01
1917	475,000	887,013	.....	1,362,013	2.46
1918	515,091	1,091,861	.....	1,606,952	2.41
1919	535,694	1,233,639	.....	1,769,333	2.18
1920	595,622	1,387,300	.....	1,982,923	1.81
1921	884,330	1,507,240	1,061,000	3,452,570	1.86
1922	1,178,773	1,623,883	6,298,000	9,100,657	4.09
1923	2,440,000	1,689,708	5,796,814	9,926,522	3.88
1924	2,640,000	1,809,930	6,006,222	10,456,152	3.57
1925	4,812,000	1,927,063	6,077,100	12,816,163	4.62

Sinking Fund charges levied on municipalities by the Hydro-Electric Power Commission, to October 31st, 1925, for the repayment of cash advances made to the Commission by the Province, with interest earned

on the Fund investment to that date, amounted to approximately \$5,100,000. Under the Power Commission Act, Sinking Fund collections have been invested by the Commission in Province of Ontario Bonds. To date the Commission has deposited \$4,812,000 par value of such bonds with the Province, as indicated in the above table.

Sterling Stock Sinking Fund instalments of one-half of one per cent. per annum have been maintained, and paid to the Bank of Montreal, London. Due to the purchase and cancellation of a large amount of this stock during the years 1920-23 by other means than out of the accumulated Sinking Funds, the present funds, with the maintenance of the instalment of one-half of one per cent. of the amount presently outstanding, would appear to be more than sufficient to pay off the outstanding stock at maturity. Sinking Fund instalments have in the past been regarded as Capital expenditure.

The General Sinking Fund shows a total at October 31st, 1925, of \$6,077,100, being the par value of Ontario Stock and Debentures purchased and held by the Province for account of the Fund. The investment consists principally of Succession Duty Free Securities purchased out of borrowed money, only a small part representing the reinvestment of interest received.

Excepting the Hydro-Electric Power Commission's Sinking Fund, which is being built up out of revenue, it is quite apparent from the foregoing that the Sinking Funds set up by the Province, which exist to-day, are not true Sinking Funds created out of revenue, but have to a great extent been built up out of borrowed moneys.

Sec. 4 Necessity of Placing Future Borrowings on a Sound Basis

In order that the situation just referred to may not continue, it is imperative that all future borrowings be dealt with in a financially sound and consistent manner. The recommendations we shall make regarding the debt now outstanding will only be of value if such a policy is rigidly adhered to, and pending the inauguration of the retirement plan as it applies to the present debt, the Province should make due provision for the ultimate retirement of all future borrowings.

FUTURE FINANCING

Sec. 5 Temporary Financing:

Nothing herein recommended is intended to prevent the Province from borrowing money on short term notes for one or two years when such financing is desirable, but the Province would be well advised to refrain from short term financing except where necessary to carry over the periods between major borrowings, or in cases of emergency.

Sec. 6 Instalment Bonds Recommended:

The permanent financing of the Province in the past has all been done through long term issues, i.e., through issues bearing a fixed rate of interest, the total principal being due at the end of 15, 20 or 30 years, as the case may be. When these loans were issued, provision should have been made for the creation of specific sinking funds, the annual instalments of which, with the interest such sinking funds would have earned, would be sufficient

to retire these long term obligations at maturity. As already stated, specific sinking funds have not been maintained and maturing issues have been refunded, with an increasing burden of interest on the revenues. A disadvantage of long term issues is the tendency to overlook the fact that the principal must be paid, until it actually falls due.

We therefore recommend as a general policy, the adoption of Instalment Bonds in future. With a certain definite amount of principal falling due each year, the Government is constantly brought face to face with the fact that the necessary funds must be provided at maturity as part of its ordinary expenditure.

It is true that conditions might arise, when the Province would be able to borrow to better advantage in London than in New York or Canada. Instalment issues would be somewhat of an innovation in Great Britain, and it is questionable if such an issue would be as popular with the investing public there as a long term issue with full Sinking Fund provision. On the other hand, we question the wisdom of departing from the Instalment form of borrowing unless a very much better price could be obtained in the London market.

Again, there may be occasions when it would be to the advantage of the Province to borrow on a five or ten-year basis, rather than pay high rates of interest over a long period of years; in this event a proportionate amount of the loan could be issued on the Instalment basis, the balance of the issue to be refunded at the end of the term by an Instalment issue for the balance of the normal retirement period. We are inclined to think, however, that the Province would be well advised to adhere to the Instalment basis, rather than to speculate on future rates of money.

Sec. 7 Reasons for Advocating Instalment Bonds:

It is interesting to note that as far back as 1905, steps were taken in the State of Massachusetts to require all bonds issued by that State to be in Instalment form, and at the present time, the majority of the States and municipalities in the United States issue bonds in that form; as the number doing so is growing each year, it would appear that the practice will, before long, be universal throughout the United States.

The advantages of Instalment bonds become clearly apparent upon a study of the problem. In the case of the Province of Ontario, with a debt growing from year to year, and already about \$300,000,000, it is at once apparent that, in the course of time, a sinking fund would assume very large proportions. To supervise an investment fund of say \$50,000,000 to \$100,000,000 is no small task, and would require the services of a man possessing high character and undoubted financial ability, as well as an accurate knowledge of the market value of bonds. Moreover, the management of such a fund would entail an increased staff, and vaults for the safe-keeping of the sinking fund bonds. When the various aspects of sinking fund supervision are considered, it is not difficult to understand how, in the past, mismanagement and misappropriation of huge sums have often occurred.

The effect of an Instalment issue is to determine, at the time of the loan, the net cost of the issue, not only as regards principal, but also as regards interest. The net cost of a sinking fund issue, however, cannot be determined, because of the fact that it is impossible to foretell the yield of the sinking fund, over a long period of years due to the changing rates for money, and the resulting effect on the purchase price of bonds for the fund investment.

Sec. 8 **Two Types of Instalment Bonds:**

Instalment Bonds may be issued in either Serial or Annuity form.

In the case of Instalment Serial Bonds, equal instalments of principal fall due in each year, the annual interest charges declining year by year, as the instalments of principal are paid off.

In the Annuity type of bond, the total payments for principal and interest are the same each year during the life of the issue. In the first year, the amount of principal falling due is relatively small and the amount of interest is relatively large. The annual payments of principal increase as the interest payments decrease year by year, until the position is reversed and the amount of principal paid is large whilst the amount of interest is small.

In dealing with the provision for the retirement of future borrowings, as opposed to the refunding of the existing debt, the questions of the type of Instalment Bond, and the period over which the debt should be retired, call for consideration. It should be borne in mind that in the case of advances to the Hydro-Electric Power Commission, provision for repayment to the Province is made on a Sinking Fund basis over a maximum period of forty years from the commencement of the Sinking Fund levy. It is obvious, therefore, that if the instalment serial type of bond were adopted for future financing, involving equal annual payments of principal, the Province would in the earlier years be called on to retire its debt, incurred on behalf of the Commission more rapidly than the Commission would repay its debt to the Province, as the Commission's repayments would be on a rising scale, and would more nearly parallel the requirements of an annuity issue.

In view of the foregoing, therefore, we recommend that the annuity type of bond be adopted. A retirement period of forty years for "Hydro" financing might be used, and for financing for Provincial purposes, a period relative to the purpose for which the funds are to be expended.

Should the Hydro-Electric Power Commission embark on an extensive programme of new development, special consideration would have to be given to the question of the postponement of instalments over the early years to cover the period of construction, and until the operations become productive of Sinking Fund. In the case of extensions to existing plants, it is probable that a year would elapse between the date of advances, and the commencement of Sinking Fund provision, but any extensive new development might possibly mean a lapse of time up to five years.

**Tables Illustrating the Two Types of Instalment Bonds
as Applied to a \$1,000,000 40-Year 5% Loan**

Year	Instalment Serial Method			Instalment Annuity Method		
	Interest	Principal	Total Annual Payment	Interest	Principal	Total Annual Payment
	\$	\$	\$	\$	\$	\$
1.....	50,000	25,000	75,000	50,000	8,278	58,278
2.....	48,750	25,000	73,750	49,586	8,692	58,278
3.....	47,500	25,000	72,500	49,151	9,127	58,278
4.....	46,250	25,000	71,250	48,695	9,583	58,278
5.....	45,000	25,000	70,000	48,216	10,062	58,278
6.....	43,750	25,000	68,750	47,713	10,565	58,278
7.....	42,500	25,000	67,500	47,184	11,094	58,278
8.....	41,250	25,000	66,250	46,630	11,648	58,278
9.....	40,000	25,000	65,000	46,047	12,231	58,278
10.....	38,750	25,000	63,750	45,436	12,842	58,278
11.....	37,500	25,000	62,500	44,794	13,484	58,278
12.....	36,250	25,000	61,250	44,120	14,158	58,278
13.....	35,000	25,000	60,000	43,412	14,866	58,278
14.....	33,750	25,000	58,750	42,668	15,610	58,278
15.....	32,500	25,000	57,500	41,888	16,390	58,278
16.....	31,250	25,000	56,250	41,068	17,210	58,278
17.....	30,000	25,000	55,000	40,208	18,070	58,278
18.....	28,750	25,000	53,750	39,304	18,974	58,278
19.....	27,500	25,000	52,500	38,356	19,922	58,278
20.....	26,250	25,000	51,250	37,359	20,919	58,278
21.....	25,000	25,000	50,000	36,314	21,964	58,278
22.....	23,750	25,000	48,750	35,215	23,063	58,278
23.....	22,500	25,000	47,500	34,062	24,216	58,278
24.....	21,250	25,000	46,250	32,851	25,427	58,278
25.....	20,000	25,000	45,000	31,580	26,698	58,278
26.....	18,750	25,000	43,750	30,245	28,033	58,278
27.....	17,500	25,000	42,500	28,844	29,434	58,278
28.....	16,250	25,000	41,250	27,372	30,906	58,278
29.....	15,000	25,000	40,000	25,827	32,451	58,278
30.....	13,750	25,000	38,750	24,204	34,074	58,278
31.....	12,500	25,000	37,500	22,500	35,778	58,278
32.....	11,250	25,000	36,250	20,711	37,567	58,278
33.....	10,000	25,000	35,000	18,833	39,445	58,278
34.....	8,750	25,000	33,750	16,861	41,417	58,278
35.....	7,500	25,000	32,500	14,790	43,488	58,278
36.....	6,250	25,000	31,250	12,616	45,662	58,278
37.....	5,000	25,000	30,000	10,332	47,946	58,278
38.....	3,750	25,000	28,750	7,935	50,343	58,278
39.....	2,500	25,000	27,500	5,418	52,860	58,278
40.....	1,250	25,000	26,250	2,775	55,503	58,278
	1,025,000	1,000,000	2,025,000	1,331,120	1,000,000	2,331,120

Sec. 9 Comparison of Cost of Retirement of Sinking Fund, Instalment-Serial and Instalment-Annuity Issues, \$1,000,000 Forty-Year 5 per cent. Loan

A comparison of the total payments in respect of interest and principal over the period of forty years of the above issue, with provision for retirement made by way of Sinking Fund, and by issues of bonds in Serial and Annuity forms respectively is shown below.

Instalment—Serial Method.....	\$2,025,000	
Instalment—Annuity Method.....	2,331,120	
Sinking Fund	Interest on Sinking Fund at 4½% 5%	
Total instalments to meet \$1,000,000 in fortieth year..	\$ 373,726	\$ 331,120
Interest on \$1,000,000 forty years at \$50,000.....	2,000,000	2,000,000
	<u>\$2,373,726</u>	<u>\$2,331,120</u>

From the foregoing, it will be seen, that with an income yield on the Sinking Fund investment equal to the interest rate of the issue, the costs in interest and principal over the forty-year period are the same for Sinking Fund and Annuity issues, but that any difference in interest yield of the Sinking Fund investment must necessarily be adjusted in the Sinking Fund instalment, and consequently increase or decrease the cost of the Sinking Fund issue accordingly. The Serial issue on the other hand, owing to the heavier principal payments in the earlier years, shows to advantage over both the Annuity and Sinking Fund issues.

PRESENT DEBT

Sec. 10 Outline of Present Liabilities:

The funded debt of the Province as at October 31st, 1925, after deduction of Ontario Bonds and Stock acquired for Sinking Funds, and to be cancelled under the plan, was as follows:—

	Total Issue	Sinking Fund	Balance
Stock and Debentures.....	\$272,598,600	\$10,889,100	\$261,709,500
Sterling Inscribed Stock.....	4,446,657	.....	4,446,657
Railway Aid Certificates.....	2,003,797	.....	2,003,797
Annuities.....	503,400	.....	503,400
University of Toronto Certifi- cates.....	300,000	.....	300,000
	<u>\$279,852,454</u>	<u>\$10,889,100</u>	<u>\$268,963,354</u>

In addition to the foregoing, there were outstanding at October 31st, 1925, temporary loans to an amount of \$37,963,381, and deposits by the Province of Ontario Savings Office, not specifically invested, amount-

ing to \$7,107,638. In December, 1925, a serial bond issue of \$21,000,000 was made, the proceeds of which were utilized partly to reduce the temporary loans to \$30,000,000 and partly to place in the Treasury a working balance of funds.

The Committee therefore suggests that the plan we now recommend be applied to the following amount of debt:—

Balance of Funded Debt at October 31st, 1925, as above...	\$268,963,354
Treasury Bills.....	30,000,000
Serial Bonds, 30 years, dated December 15th, 1925.....	21,000,000
	<hr/>
	\$319,963,354

The above amount is accounted for as follows:—

(a) Hydro-Electric Power Commission—Advances	
For construction of power developments, owned and operated by the Commis- sion.....	\$132,010,046
Less—Sinking Fund Investments de- posited with the Province.....	4,812,000
	<hr/>
	\$127,198,046
(b) Central Ontario Power System—	
For acquisition and development, owned by the Province and operated by the Hydro-Electric Power Commission.....	14,519,262
(c) Temiskaming and Northern Ontario Railway Commis- sion—Advances.....	30,207,935
(d) Miscellaneous—Buildings, Roads, Loans to Municipali- ties, etc.....	148,038,111
	<hr/>
	\$319,963,354

Provision for the repayment of the amount advanced to the Hydro-Electric Power Commission is being made through levy of a sinking fund charge by the Commission as part of the cost of power supplied.

The Central Ontario Power System investment includes assets other than those of a strictly water power nature; the properties are operated by the Hydro-Electric Power Commission on behalf of the Province and a number of municipalities are supplied with power on regular power contracts, except, however, that no sinking fund levy is made. The Power Commission Act does not apply to the Central Ontario System, and until such time as the power assets are valued, divorced from the associated enterprises, and brought within the operation of the Act, or some similar act, there is no machinery or trust whereby the municipalities can acquire an equity in the property, through contribution to a Sinking Fund, and it would appear, therefore, that a sinking fund contribution could not be levied equitably on the municipalities.

The Temiskaming and Northern Ontario Railway must in the meantime be regarded in the light of a colonization road. So far, it has failed to earn sufficient to meet a full interest charge on the amount invested.

For the purpose of the retirement plan, as applied to the present total debt, classification may therefore be made as follows:—

1. "Provincial" Debt:

(a) Retirement already provided for—	
Sterling Inscribed Stock—.....	\$4,446,657
Railway Aid Certificates.....	2,003,797
Annuities.....	503,400
University of Toronto Certificates.....	300,000
	<hr/> \$ 7,253,854
(b) Retirement to be provided for—	
Stock, Debentures and Treasury Bills	185,511,454
	<hr/> \$ 192,765,308

2. "Hydro" Debt:

Retirement provided for by Sinking Fund.....	127,198,046
	<hr/> \$319,963,354

Sterling Stock Issues, maturing in London in 1946, 1947 and 1965, would appear to be fully provided for by the maintenance of the present sinking fund instalments of one-half of one per cent. per annum, which, however, must be provided out of Revenue in future, and not regarded as a capital charge as in the past.

Railway Aid Certificates, Annuities and University of Toronto Certificates mature annually and will be finally discharged by 1950, 1938 and 1935, respectively.

Sec. 11 Present Debt—Instalment Bond Principle Applied to Retirement

"Provincial" Debt—To be provided for—\$185,511,454:

We recommend that the Bonds and Stock purchased, and presently being held for account of General Sinking Fund, be cancelled, leaving the above amount to be provided for.

Recognizing the merit of Instalment Bonds over Sinking Fund Bonds, we have applied the same principle to the retirement of the present debt; instead of building up huge sinking funds to be administered by Government officials for the next forty years, with all the attendant risks and care, we have recommended a scheme of retirement of the outstanding debt on an Instalment Annuity plan. In other words, we have worked out a schedule (No. 1) whereby in each year during the next forty years, a certain amount of principal will be paid out of the current revenue, as the present issues fall due, the balance of the maturing issue, if any, being refunded within the forty-year period.

In working out the schedule of the annual payments on the outstanding "Provincial" Debt at present unprovided for, we have chosen a period of forty years as one during which the present debt could be retired without undue burden on the revenues of the Province. We have arranged the plan so that the annual payments of principal and interest over the period will be approximately the same. In the early years, a comparatively small amount of principal will be paid and a large amount of interest. As the years progress, the amount of principal retired will increase, as the interest naturally decreases, until in the fortieth year the interest payment will be a comparatively small amount and the principal payment

large. We have figured the interest rate at 5.273 per cent, which is the average rate of interest payable in 1926-1927, assuming a refunding rate of 5 per cent. on maturities in 1925-1926. It is possible that from year to year, as certain bonds are paid, and others refunded, the average rate of interest payable may decline. If so, the amount of interest annually payable will decline, resulting in a correspondingly larger annual retirement of principal.

"Hydro" Debt—\$127,198,046:

Under the Power Commission Act, Sinking Fund levy is made by the Hydro-Electric Power Commission on power consumers as part of the cost of power supplied, and collections by the Commission have been invested in Province of Ontario Bonds and deposited with the Province in accordance with the requirements of the Act. In this manner the Commission is providing for the repayment of *its* indebtedness to the Province. In giving effect to the Sinking Fund provisions of the Act, instalments based on a 4 per cent. interest rate are being levied. In order to maintain the levy and the fund on a uniform basis, the revenue earned on the fund investments, to the extent of 4 per cent., must be re-invested by the Commission and deposited with the Province, and any surplus earning over 4 per cent. per annum returned to the contributing municipalities.

During the year ended 31st October, 1925, Sinking Fund levy was in operation on the cost of construction of all systems, with the exception of the Nipigon development, with a capital investment out of Provincial advances, of \$11,758,750, and on construction work in progress, of approximately \$4,000,000. The Committee is informed that full Sinking Fund levy will be in operation during the year ending 31st October, 1927, in respect of all advances made to the Commission by the Province to October 31st, 1925, in respect of the Nipigon system, and work presently in progress.

Under the Act, as at present framed, there is no power to apply the Sinking Fund moneys in direct reduction of the Commission's debt to the Province, before the completion of the various funds, a number of years hence.

We therefore suggest that the Power Commission Act be amended in order that our recommendations, with regard to the retirement of the "Hydro" debt, may be carried out.

We have prepared a schedule (No. 2) showing the retirement of the "Hydro" debt of the Province over forty years, and we recommend that the Commission should each year deposit the necessary amount of cash instead of bonds, and that an agreement be entered into with the Commission, establishing the schedule of repayment.

In considering these questions, we have had in mind the fact that the amounts made available through the medium of the Commission's Sinking Fund, whilst increasing from year to year, due to the operation of compound interest, will not be on a uniformly increasing basis throughout the entire forty-year period. In the later years, Sinking Fund instalment collections by the Commission will fall off, consequent upon the fact that Sinking Fund on part of the debt has been in operation for a number of years, and that part of the construction cost is being levied on a thirty-year basis and part on a forty-year basis. We therefore recommend that the surplus funds not utilized in the debt retirement in the earlier years be invested by the Commission as at present in Province of Ontario Bonds, and deposited with the Province, to be held against the later years, when such funds will be needed to meet the schedule.

A word of explanation as to the procedure necessary to maintain the Sinking Fund of the Commission, is possibly called for. At the present time the Sinking Fund investment deposited by the Commission amounts to \$4,812,000. We recommend that these bonds be cancelled and credited by the Province to a special "Repayment Account" at market value, interest thereon being paid to the Commission at the current rate for the year. For the purpose of working out the schedule, we have credited these bonds at par value. Any difference between market value and par can be dealt with without disturbing the schedule. Cash payments deposited year by year by the Commission, in accordance with the schedule, would be similarly credited to the "Repayment Account," and interest paid thereon to the Commission at the current rate for the year, arrived at under the present method of calculating interest on the Commission's indebtedness.

Giving effect to the foregoing, the "Hydro" debt would be provided for as follows:—

Total advances by Province to October 31st, 1925.....	\$132,010,046
Less—Bonds presently deposited, to be cancelled.....	4,812,000
<i>Balance to be provided for.....</i>	<u><u>\$127,198,046</u></u>
Provided for thus (Schedule No. 2):	
Amount of \$4,812,000 in 40 years at 4 per cent. compound interest.....	\$23,102,509
Less—Par value of Bonds cancelled—credited above.....	4,812,000
	<u>\$ 18,290,509</u>
Balance on 4 per cent. Sinking Fund basis over 40 years	108,907,537
	<u><u>\$127,198,046</u></u>

Summary Schedule of Retirement of Total Present Debt:

Schedule No. 4 shows in summary form the amount of each class of the whole debt of the Province, to be retired each year.

It will be noted that the extent of the "Provincial" Debt retirement is relatively lighter in the earlier years and heavier in the later years, but both the "Hydro" and "Provincial" Debts are liquidated over the same period of time.

Sec. 12 Amounts to be Provided out of Revenue to Give Effect to Retirement Plan:

The additional annual amounts to be provided out of Revenue, to give effect to the retirement plan are shown on Schedule No. 5, and are as follows, viz.:—

1927 to 1935.....	\$1,488,544 per annum
1936 to 1945.....	1,458,544 per annum
1946.....	1,453,403
1947.....	1,448,262
1948 to 1964.....	1,440,483 per annum
1965.....	1,438,397
1966.....	1,436,160

The various reductions are due to the completion of repayment of University of Toronto certificates in 1935 and the cessation of Inscribed Stock Sinking Fund instalments at maturity of the various issues in 1946, 1947 and 1965.

Sec. 13 Results to be Achieved by Adoption of Plan:

The results to be gained by the systematic and conscientious application to the retirement of the present debt, of an annual amount of approximately \$1,500,000, out of the revenues of the Province, are such as should appeal to the people of the Province.

On the one hand, by reason of the raising of the necessary additional Revenue and its consistent application to the retirement of the debt, along the lines laid down under the plan, the annual interest charges will decrease year by year, and such reduction made available for debt retirement. Under the plan, as illustrated by Schedule No. 5, the total interest charges during the period would amount to \$545,202,099, and the total charges against Revenue for debt retirement to \$188,843,131, making a total charge against Revenue during the period to final retirement of the present debt, of \$734,045,230, with the present debt extinguished.

On the other hand, if the policy followed in the past, of refunding maturing issues, be continued, with no provision made out of Revenue for the ultimate retirement of the debt (other than the payment of maturing Railway Aid Certificates, and Annuities, which have been and still are being paid off out of Revenue), the total charge against Revenue during the same period would be \$675,768,461, made up of Interest, \$673,261,264, and Certificates and Annuities, \$2,507,197. At the close of the period, however, the Province would still have a debt of \$186,335,934.

The situation is illustrated by the following summary of Schedule No. 5:—

Without Plan:

Total Interest payable over 40-year period to 1966.....	\$673,261,264
Railway Aid Certificates and Annuities retired out of Revenue.....	2,507,197
Debt still outstanding at end of period—	
Total Present Debt.....	\$319,963,354
Deduct—Debt retired—	
Railway Aid Certificates..\$	2,003,797
Annuities.....	503,400
University Certificates...	300,000
Inscribed Stock.....	4,446,657
"Hydro" Debt.....	127,198,046
	<hr/>
	134,451,900
	<hr/>
	\$185,511,454
Add—New Borrowings to pay—	
University Certificates...	\$300,000
Inscribed Stock Sinking Fund instalments.....	524,480
	<hr/>
	824,480
	<hr/>
	\$186,335,934
<i>Total Interest and Principal Retirement.....</i>	<u><u>\$862,104,395</u></u>

Under Proposed Plan:

Total Interest payable over 40-year period to 1966.....	\$545,202,099
Total Principal payments out of Revenue.....	188,843,131
<i>Total Interest and Principal Retirement.....</i>	<u>\$734,045,230</u>

<i>Reduction of Total of Interest and Principal Payable under Plan—with Total Present Debt Extinguished.....</i>	<u>\$128,059,165</u>
--	----------------------

Sec. 14 Summary of Recommendations:

In brief, your Committee recommends that:—

(a) Future borrowings be made through Instalment Bonds, with certain reservations (Sections 5-9).

(b) Bonds and Stock purchased by the Province to date for account of General Sinking Fund, be cancelled (Section 11).

(c) The balance of the debt incurred for Provincial purposes, exclusive of debt incurred on account of the Hydro-Electric Power Commission, the Inscribed Stock (being retired by present Sinking Fund) and Certificates and Annuities (maturing annually), be retired out of Revenue, according to schedule over forty years on an annuity basis, involving an equal annual charge for principal retirement and interest. (Section 11 and Schedule No. 1.)

(d) Bonds of the Province, deposited by the Hydro-Electric Power Commission to date, of par value of \$4,812,000, be cancelled and credited to the Commission at market value. That the balance of the Commission's indebtedness to the Province be paid according to a prearranged schedule over 40 years, and that a like amount of the "Hydro" debt of the Province be retired. (Section 11 and Schedule No. 2.)

(e) Surplus moneys in the hands of the Commission, after payments to Province according to schedule, be invested in Province of Ontario Bonds, and deposited with the Province. (Section 11.)

(f) Agreement be entered into between the Province and the Commission, establishing the schedule of repayment of the present debt. (Section 11.)

(g) Power Commission Act be amended to give effect to recommendations. (Section 11.)

(h) With regard to bond issues guaranteed by the Province, provision for the ultimate redemption of such obligations, by instalment bonds or otherwise, should be insisted on as a condition of the Province's guarantee.

The Committee wishes to express its appreciation of the courtesy shown by the officials and auditors of the Hydro-Electric Power Commission, and of their assistance in working out the application of the scheme to the "Hydro" Debt.

Respectfully submitted,

(Signed) R. A. DALY,
Representing The Investment Bankers' Association of Canada.

(Signed) J. A. C. KEMP,
Representing The Canadian Bankers' Association.

(Signed) F. MARTIN TURNBULL,
Financial Controller of the Province of Ontario.

SCHEDULE No. 1

"Provincial" Debt, \$185,511,454

Schedule Showing Retirement over Forty Years by Annual Total
Payment of Principal and Interest of \$11,218,330

Average Interest Rate, 5.273 per cent.

Year	Annual Payment			Balance of Principal Outstanding
	Total	Interest	Principal	
1926				\$185,511,454
1927	\$11,218,330	\$9,782,019	\$1,436,311	184,075,143
1928	11,218,330	9,706,282	1,512,048	182,563,095
1929	11,218,330	9,626,552	1,591,778	180,971,317
1930	11,218,330	9,542,617	1,675,713	179,295,604
1931	11,218,330	9,454,257	1,764,073	177,531,531
1932	11,218,330	9,361,238	1,857,092	175,674,439
1933	11,218,330	9,263,313	1,955,017	173,719,422
1934	11,218,330	9,160,225	2,058,105	171,661,317
1935	11,218,330	9,051,701	2,166,629	169,494,688
1936	11,218,330	8,937,454	2,280,876	167,213,812
1937	11,218,330	8,817,184	2,401,146	164,812,666
1938	11,218,330	8,690,572	2,527,758	162,284,908
1939	11,218,330	8,557,283	2,661,047	159,623,861
1940	11,218,330	8,416,966	2,801,364	156,822,497
1941	11,218,330	8,269,250	2,949,080	153,873,417
1942	11,218,330	8,113,745	3,104,585	150,768,832
1943	11,218,330	7,950,040	3,268,290	147,500,542
1944	11,218,330	7,777,703	3,440,627	144,059,915
1945	11,218,330	7,596,279	3,622,051	140,437,864
1946	11,218,330	7,405,288	3,813,042	136,624,822
1947	11,218,330	7,204,227	4,014,103	132,610,719
1948	11,218,330	6,992,563	4,225,767	128,384,952
1949	11,218,330	6,769,738	4,448,592	123,936,360
1950	11,218,330	6,535,164	4,683,166	119,253,194
1951	11,218,330	6,288,221	4,930,109	114,323,085
1952	11,218,330	6,028,256	5,190,074	109,133,011
1953	11,218,330	5,754,584	5,463,746	103,669,265
1954	11,218,330	5,466,480	5,751,850	97,917,415
1955	11,218,330	5,163,185	6,055,145	91,862,270
1956	11,218,330	4,843,897	6,374,433	85,487,837
1957	11,218,330	4,507,774	6,710,556	78,777,281
1958	11,218,330	4,153,926	7,064,404	71,712,877
1959	11,218,330	3,781,420	7,436,910	64,275,967
1960	11,218,330	3,389,272	7,829,058	56,446,909
1961	11,218,330	2,976,446	8,241,884	48,205,025
1962	11,218,330	2,541,851	8,676,479	39,528,546
1963	11,218,330	2,084,340	9,133,990	30,394,556
1964	11,218,330	1,602,705	9,615,625	20,778,931
1965	11,218,330	1,095,673	10,122,657	10,656,274
1966	11,218,179	561,905	10,656,274	
	\$448,733,049	\$263,221,595	\$185,511,454	

SCHEDULE No. 2

"Hydro" Debt, \$127,198,046

Schedule showing Retirement over Forty Years on 4 per cent.
Sinking Fund Basis

	Interest Improvement on Repayment Credit in re- spect of Bonds Deposited, \$4,812,000	\$108,907,537		Total Annual Amount of Debt to be Retired
		Instalment	Interest	
1927.....	\$192,480	\$1,146,087		\$1,338,567
1928.....	200,179	1,146,087	\$45,844	1,392,110
1929.....	208,187	1,146,087	93,521	1,447,795
1930.....	216,514	1,146,087	143,105	1,505,706
1931.....	225,175	1,146,087	194,673	1,565,935
1932.....	234,181	1,146,087	248,304	1,628,572
1933.....	243,549	1,146,087	304,080	1,693,716
1934.....	253,291	1,146,087	362,086	1,761,464
1935.....	263,422	1,146,087	422,413	1,831,922
1936.....	273,959	1,146,087	485,153	1,905,199
1937.....	284,917	1,146,087	550,402	1,981,406
1938.....	296,314	1,146,087	618,262	2,060,663
1939.....	308,167	1,146,087	688,836	2,143,090
1940.....	320,493	1,146,087	762,233	2,228,813
1941.....	333,313	1,146,087	838,566	2,317,966
1942.....	346,646	1,146,087	917,951	2,410,684
1943.....	360,511	1,146,087	1,000,513	2,507,111
1944.....	374,932	1,146,087	1,086,377	2,607,396
1945.....	389,929	1,146,087	1,175,675	2,711,691
1946.....	405,526	1,146,087	1,268,546	2,820,159
1947.....	421,747	1,146,087	1,365,131	2,932,965
1948.....	438,617	1,146,087	1,465,580	3,050,284
1949.....	456,162	1,146,087	1,570,047	3,172,296
1950.....	474,408	1,146,087	1,678,692	3,299,187
1951.....	493,385	1,146,087	1,791,684	3,341,156
1952.....	513,120	1,146,087	1,909,194	3,568,401
1953.....	533,645	1,146,087	2,031,405	3,711,137
1954.....	554,990	1,146,087	2,158,505	3,859,582
1955.....	577,190	1,146,087	2,290,689	4,013,966
1956.....	600,278	1,146,087	2,428,160	4,174,525
1957.....	624,289	1,146,087	2,571,129	4,341,505
1958.....	649,261	1,146,087	2,719,818	4,515,166
1959.....	675,231	1,146,087	2,874,454	4,695,772
1960.....	702,240	1,146,087	3,035,276	4,883,603
1961.....	730,330	1,146,087	3,202,531	5,078,948
1962.....	759,543	1,146,087	3,376,476	5,282,106
1963.....	789,925	1,146,087	3,557,378	5,493,390
1964.....	821,522	1,146,087	3,745,516	5,713,125
1965.....	854,383	1,146,087	3,941,180	5,941,650
1966.....	888,558	1,146,087	4,144,672	6,179,317
	\$18,290,509	\$45,843,480	\$63,064,057	\$127,198,046

SCHEDULE No. 3

Statement Showing Maturities Each Year of Present Debt Outstanding After
Cancellation of Stock and Debentures Held by Province on Account of
Provincial and Hydro-Electric Power Commission Sinking Funds

Date of Maturity	Railway Aid Certificates	Annuities	University of Toronto Certificates	Inscribed Stock	Bonds and other Stock	Total
On demand					\$9,350,000	\$9,350,000
1926	\$139,113	\$75,500	\$30,000		33,391,500	33,636,113
1927	139,113	63,200	30,000		12,925,000	13,157,313
1928	139,112	50,700	30,000		14,850,000	15,069,812
1929	139,112	50,700	30,000		4,875,000	5,094,812
1930	138,413	50,700	30,000		16,811,500	17,030,613
1931	134,915	50,700	30,000		700,000	915,615
1932	127,919	36,700	30,000		700,000	894,619
1933	125,120	28,700	30,000		700,000	883,820
1934	123,022	28,700	30,000		700,000	881,722
1935	111,129	28,700	30,000		2,686,000	2,855,829
1936	105,090	20,700			31,004,000	31,129,790
1937	94,460	12,700			15,700,000	15,807,160
1938	90,962	5,700			700,000	796,662
1939	86,122				2,722,100	2,808,222
1940	82,239				700,000	782,239
1941	67,944				10,731,500	10,799,444
1942	31,818				22,528,400	22,560,218
1943	24,920				49,176,000	49,200,920
1944	22,695				20,050,000	20,072,695
1945	18,252				700,000	718,252
1946	18,252			\$2,056,406	700,000	2,774,658
1947	18,252			1,555,838	700,000	2,274,090
1948	18,252				39,008,500	39,026,752
1949	6,871				700,000	706,871
1950	700				700,000	700,700
1951					700,000	700,000
1952					15,700,000	15,700,000
1953					700,000	700,000
1954					700,000	700,000
1955					700,000	700,000
1956					700,000	700,000
1957						
1958						
1959						
1960						
1961						
1962						
1963						
1964						
1965				834,413		834,413
1966						
	\$2,003,797	\$503,400	\$300,000	\$4,446,657	\$312,709,500	\$319,963,354

SCHEDULE No. 4

Total Present Debt, \$319,963,354

Summary Schedule showing Amount of Debt to be Retired Each Year to 1966 under plan

Yr.	At Maturity			Sinking Fund	Under Plan		Total Annual Retirement
	Railway Aid Certificates	Annuities	University of Toronto Certificates	Inscribed Stock	Bonds and Other Stock		
					Provincial Debt	"Hydro" Debt	
1926	\$139,113	\$75,500	\$30,000				\$244,613
1927	139,113	63,200	30,000		\$1,436,311	\$1,338,567	3,007,191
1928	139,112	50,700	30,000		1,512,048	1,392,110	3,123,970
1929	139,112	50,700	30,000		1,591,778	1,447,795	3,259,385
1930	138,413	50,700	30,000		1,675,713	1,505,706	3,400,532
1931	134,915	50,700	30,000		1,764,073	1,565,935	3,545,623
1932	127,919	36,700	30,000		1,857,092	1,628,572	3,680,283
1933	125,120	28,700	30,000		1,955,017	1,693,716	3,832,553
1934	123,022	28,700	30,000		2,058,105	1,761,464	4,001,291
1935	111,129	28,700	30,000		2,166,629	1,831,922	4,168,380
1936	105,090	20,700			2,280,876	1,905,199	4,311,865
1937	94,460	12,700			2,401,146	1,981,406	4,489,712
1938	90,962	5,700			2,527,758	2,060,663	4,685,083
1939	86,122				2,661,047	2,143,090	4,890,259
1940	82,239				2,801,364	2,228,813	5,112,416
1941	67,944				2,949,080	2,317,966	5,334,990
1942	31,818				3,104,585	2,410,684	5,547,087
1943	24,920				3,268,290	2,507,111	5,800,321
1944	22,695				3,440,627	2,607,396	6,070,718
1945	18,252				3,622,051	2,711,691	6,351,994
1946	18,252			\$2,056,406	3,813,042	2,820,159	8,707,859
1947	18,252			1,555,838	4,014,103	2,932,965	8,521,158
1948	18,252				4,225,767	3,050,284	7,294,303
1949	6,871				4,448,592	3,172,296	7,627,759
1950	700				4,683,166	3,299,187	7,983,053
1951					4,930,109	3,431,156	8,361,265
1952					5,190,074	3,568,401	8,758,475
1953					5,463,746	3,711,137	9,174,883
1954					5,751,850	3,859,582	9,611,432
1955					6,055,145	4,013,966	10,069,111
1956					6,374,433	4,174,525	10,548,958
1957					6,710,556	4,341,505	11,052,061
1958					7,064,404	4,515,166	11,579,570
1959					7,436,910	4,695,772	12,132,682
1960					7,829,058	4,883,603	12,712,661
1961					8,241,884	5,078,948	13,320,832
1962					8,676,479	5,282,106	13,958,585
1963					9,133,990	5,493,390	14,627,380
1964					9,615,625	5,713,125	15,328,750
1965				834,413	10,122,657	5,941,650	16,898,720
1966					10,656,274	6,179,317	16,835,591
	\$2,003,797	\$503,400	\$300,000	\$4,446,657	\$185,511,454	\$127,198,046	\$319,963,354

SCHEDULE No. 5

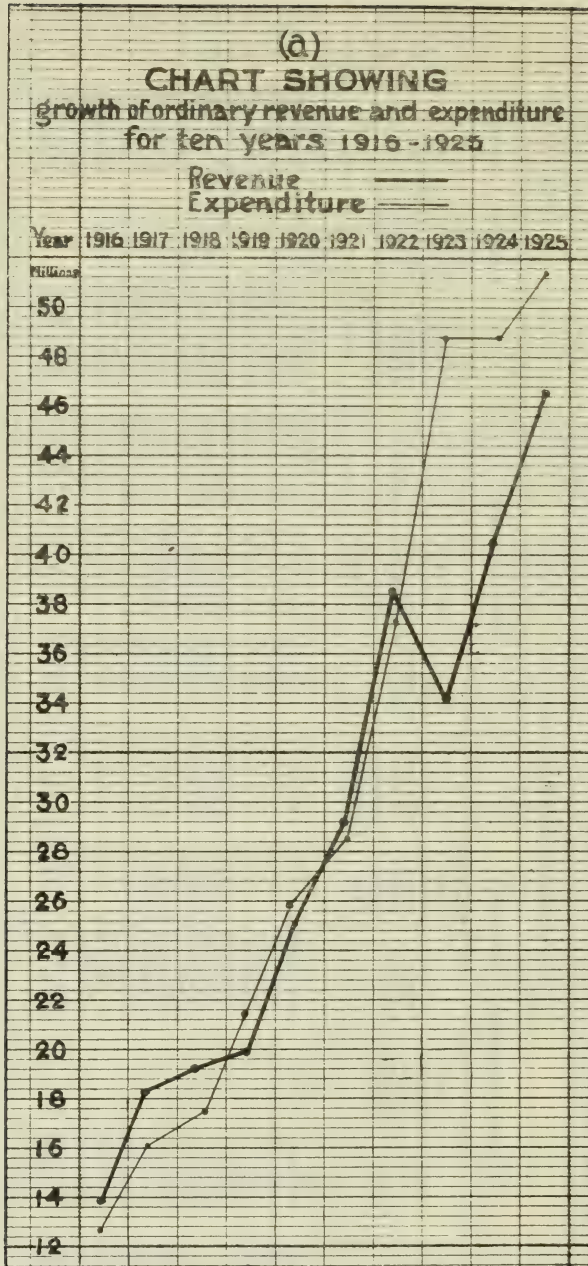
Statement showing additional annual amounts to be provided out of Revenue to retire present debt over a period of forty years.

Year	UNDER PROPOSED PLAN										WITHOUT PLAN		
	Payments on Account of Principal					Interest Charges			Principal	Interest	Total Annual Charge against Revenue		
	Total Debt Retirement as per Schedule No. 4	From Hydro Repayments	By Inscribed Sinking Fund	From Revenue (a)	Insc'd Sinking Fund Instalments (b)	Total Principal from Revenue (a) and (b)	On Inscribed Stock	On other debt outstanding and Hydro Repayments				Total Interest	Total Annual charge against Revenue
									\$	\$	\$		
1927	3,007,191	1,338,567	.....	1,668,624	22,233	1,690,857	171,755	16,727,632	16,899,387	18,590,244	202,313	16,899,387	17,101,700
1928	3,123,970	1,392,110	.....	1,731,860	22,233	1,754,093	171,755	16,651,895	16,823,650	18,577,743	189,812	16,899,387	17,089,199
1929	3,259,385	1,447,795	.....	1,811,590	22,233	1,833,823	171,755	16,572,165	16,743,920	18,577,743	189,812	16,899,387	17,089,199
1930	3,400,532	1,505,706	.....	1,894,826	22,233	1,917,059	171,755	16,488,230	16,659,980	18,577,044	189,113	16,899,387	17,085,500
1931	3,545,623	1,565,935	.....	1,979,688	22,233	2,001,921	171,755	16,439,870	16,571,625	18,573,546	185,615	16,899,387	17,085,500
1932	3,680,283	1,628,572	.....	2,051,711	22,233	2,073,944	171,755	16,306,851	16,478,606	18,552,550	164,619	16,899,387	17,064,006
1933	3,832,553	1,693,716	.....	2,138,837	22,233	2,161,070	171,755	16,208,926	16,380,681	18,541,751	153,820	16,899,387	17,053,207
1934	4,001,291	1,761,424	.....	2,238,867	22,233	2,261,060	171,755	16,105,838	16,277,593	18,539,653	151,722	16,899,387	17,051,109
1935	4,168,380	1,831,922	.....	2,336,458	22,233	2,358,691	171,755	15,997,314	16,169,060	18,527,760	139,829	16,899,387	17,039,216
1936	4,311,865	1,905,199	.....	2,406,666	22,233	2,428,899	171,755	15,883,067	16,054,832	18,483,721	125,790	16,899,387	17,025,177
1937	4,489,712	1,981,406	.....	2,508,306	22,233	2,530,539	171,755	15,762,797	15,934,552	18,465,091	107,160	16,899,387	17,006,549
1938	4,685,083	2,060,663	.....	2,624,320	22,233	2,646,623	171,755	15,636,185	15,807,940	18,454,593	96,662	16,899,387	16,996,049
1939	4,890,259	2,143,090	.....	2,747,169	22,233	2,769,402	171,755	15,502,896	15,674,651	18,444,053	86,122	16,899,387	16,985,509
1940	5,112,416	2,228,813	.....	2,883,603	22,233	2,905,836	171,755	15,362,579	15,534,334	18,440,170	82,239	16,899,387	16,981,626
1941	5,334,990	2,317,966	.....	3,017,024	22,233	3,039,257	171,755	15,214,863	15,386,618	18,435,875	67,944	16,899,387	16,967,331
1942	5,547,087	2,410,684	.....	3,136,403	22,233	3,158,636	171,755	15,059,358	15,231,113	18,389,749	51,818	16,899,387	16,931,205
1943	5,800,321	2,507,111	.....	3,293,210	22,233	3,315,443	171,755	14,895,653	15,007,408	18,382,851	42,095	16,899,387	16,924,307
1944	6,070,718	2,607,396	.....	3,463,322	22,233	3,485,555	171,755	14,723,316	14,895,071	18,380,626	32,252	16,899,387	16,927,082
1945	6,351,994	2,711,691	.....	3,640,303	22,233	3,662,536	171,755	14,541,892	14,713,647	18,376,183	18,252	16,899,387	16,931,639
1946	8,707,859	2,820,159	2,056,406	3,831,294	17,092	3,848,386	135,768	14,350,901	14,486,669	18,335,055	18,252	16,863,400	16,881,652
1947	8,521,158	2,932,965	1,555,838	4,032,355	11,951	4,044,306	99,781	14,149,840	14,249,621	18,293,927	18,252	16,827,413	16,845,605
1948	7,294,303	3,050,284	.....	4,244,019	4,172	4,248,191	37,548	13,938,176	13,975,724	18,223,915	18,252	16,765,180	16,785,432
1949	7,627,759	3,172,296	.....	4,455,463	4,172	4,459,635	37,548	13,715,351	13,752,899	18,212,534	6,871	16,765,180	16,772,051

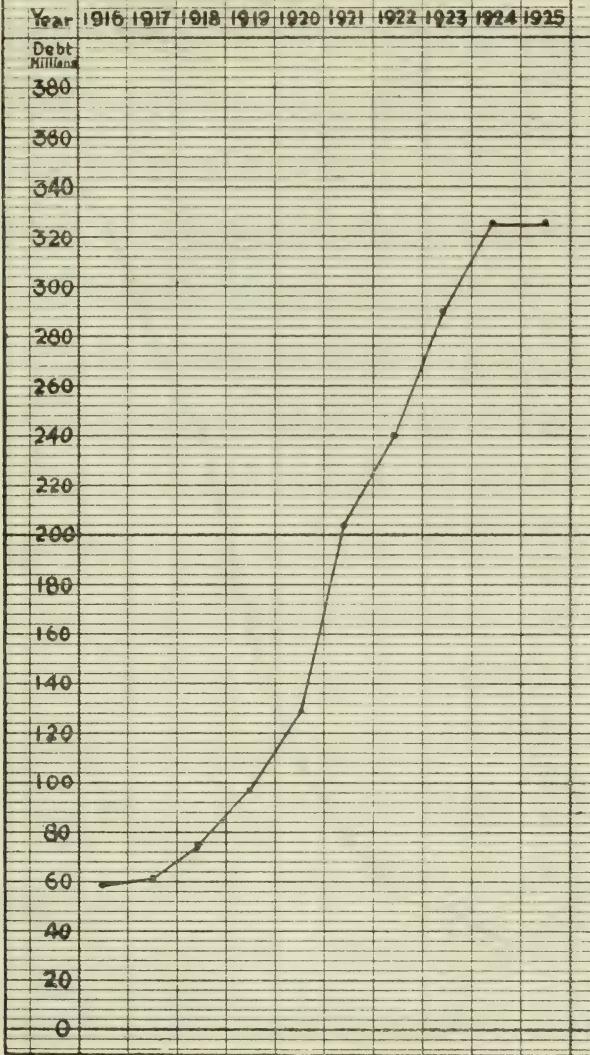
SCHEDULE No. 5—Continued

Statement showing additional annual amounts to be provided out of Revenue to retire present debt over a period of forty years.

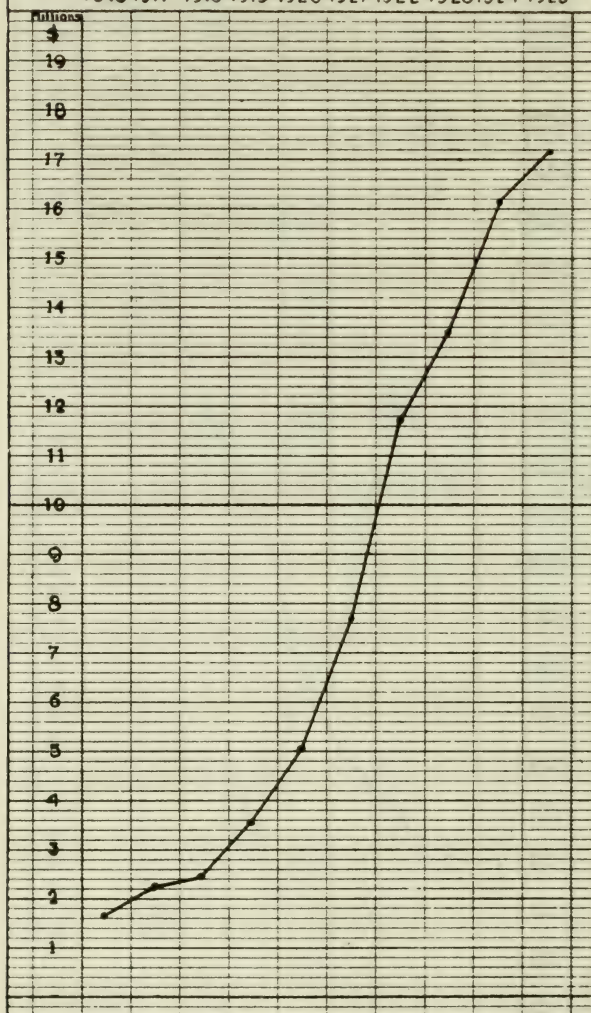
Year	UNDER PROPOSED PLAN										WITHOUT PLAN			Additional Annual Charge Revenue against plan.
	Payments on Account of Principal					Interest Charges					Principal	Interest	Total Annual Charge Revenue against Revenue	
	Total Debt Retirement as per Schedule No. 4	From Hydro Repayments	By Inscribed Sinking Fund	Inscribed Sinking Fund Installments (b)	From Revenue (a)	Total Principal from Revenue (a) and (b)	On Inscribed Stock	On other debt outstanding and Hydro Repayments	Total Interest	Total Annual charge against Revenue				
1950	\$ 7,983,053	\$ 3,299,187	\$	\$ 4,683,866	\$ 4,172	\$ 4,688,038	\$ 37,548	\$ 13,480,777	\$ 13,518,325	\$ 18,206,363	\$ 700	\$ 16,765,180	\$ 16,765,880	1,440,483
1951	8,361,265	3,431,156		4,930,109	4,172	4,934,281	37,548	13,233,834	13,271,382	18,205,663		16,765,180	16,765,180	1,440,483
1952	8,758,475	3,568,401		5,190,074	4,172	5,194,246	37,548	12,973,869	13,011,417	18,205,663		16,765,180	16,765,180	1,440,483
1953	9,174,883	3,711,137		5,463,746	4,172	5,467,918	37,548	12,700,197	12,737,745	18,205,663		16,765,180	16,765,180	1,440,483
1954	9,611,432	3,859,582		5,751,850	4,172	5,756,022	37,548	12,412,093	12,449,641	18,205,663		16,765,180	16,765,180	1,440,483
1955	10,069,111	4,013,966		6,055,145	4,172	6,059,317	37,548	12,108,798	12,146,346	18,205,663		16,765,180	16,765,180	1,440,483
1956	10,548,958	4,174,525		6,374,433	4,172	6,378,605	37,548	11,789,510	11,827,058	18,205,663		16,765,180	16,765,180	1,440,483
1957	11,052,061	4,341,505		6,710,556	4,172	6,714,728	37,548	11,453,387	11,490,935	18,205,663		16,765,180	16,765,180	1,440,483
1958	11,579,570	4,515,166		7,064,404	4,172	7,068,576	37,548	11,099,539	11,137,087	18,205,663		16,765,180	16,765,180	1,440,483
1959	12,132,682	4,693,772		7,436,910	4,172	7,441,082	37,548	10,727,033	10,764,581	18,205,663		16,765,180	16,765,180	1,440,483
1960	12,712,661	4,883,603		7,829,058	4,172	7,833,230	37,548	10,334,885	10,372,433	18,205,663		16,765,180	16,765,180	1,440,483
1961	13,320,832	5,078,948		8,241,884	4,172	8,246,056	37,548	9,922,059	9,959,607	18,205,663		16,765,180	16,765,180	1,440,483
1962	13,958,585	5,282,106		8,676,479	4,172	8,680,651	37,548	9,487,464	9,525,012	18,205,663		16,765,180	16,765,180	1,440,483
1963	14,627,380	5,493,390		9,133,990	4,172	9,138,162	37,548	9,029,953	9,067,501	18,205,663		16,765,180	16,765,180	1,440,483
1964	15,328,750	5,713,125		9,615,625	4,172	9,619,797	37,548	8,548,318	8,585,866	18,205,663		16,765,180	16,765,180	1,440,483
1965	16,098,720	5,941,650	834,413	10,122,657	2,086	10,124,743	18,774	8,041,286	8,060,060	18,184,803		16,746,406	16,746,406	1,438,397
1966	16,835,591	6,179,317		10,656,274	.....	10,656,274	.....	7,507,518	7,507,518	18,163,792		16,727,632	16,727,632	1,436,160
	319,718,741	127,198,046	4,446,657	188,074,038	524,480	188,598,518	4,155,984	541,046,115	545,202,099	733,800,617	2,292,584	673,261,264	675,553,848	58,246,769
1926	244,613					244,613				244,613	214,613		214,613	30,000
	319,963,354					188,843,131				734,045,230	2,507,197		675,768,461	58,276,769



(b)
 CHART SHOWING
 growth of public debt
 for ten years 1916-1925

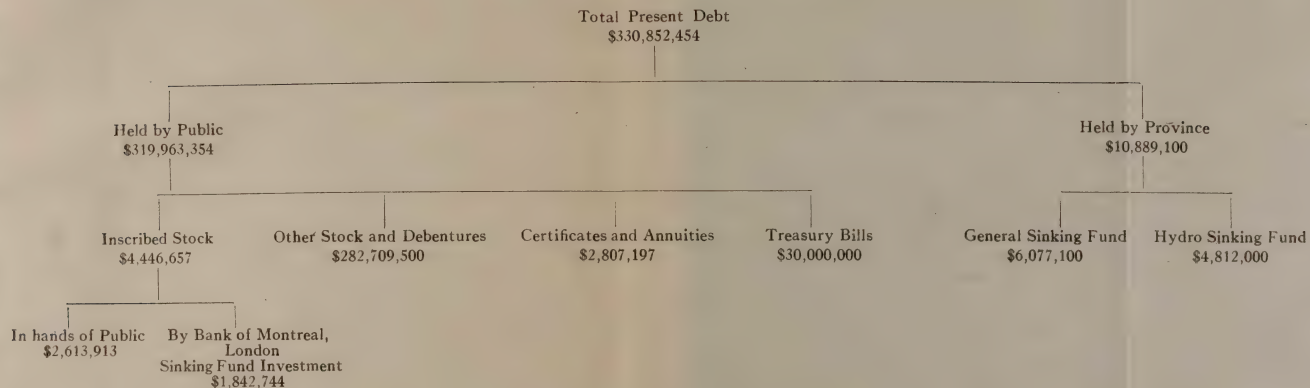


(c)
CHART SHOWING
GROWTH of INTEREST PAYMENTS
FOR TEN YEARS 1916 - 1925
1916 1917 1918 1919 1920 1921 1922 1923 1924 1925



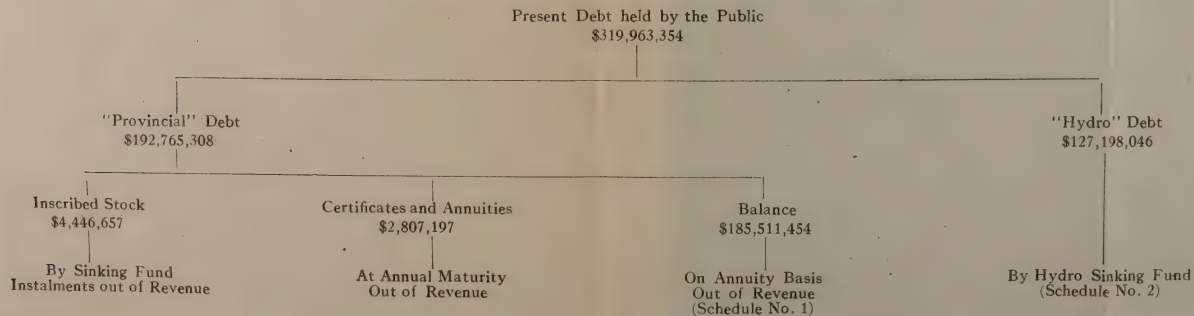
(d)

Analysis of Total Present Debt Outstanding



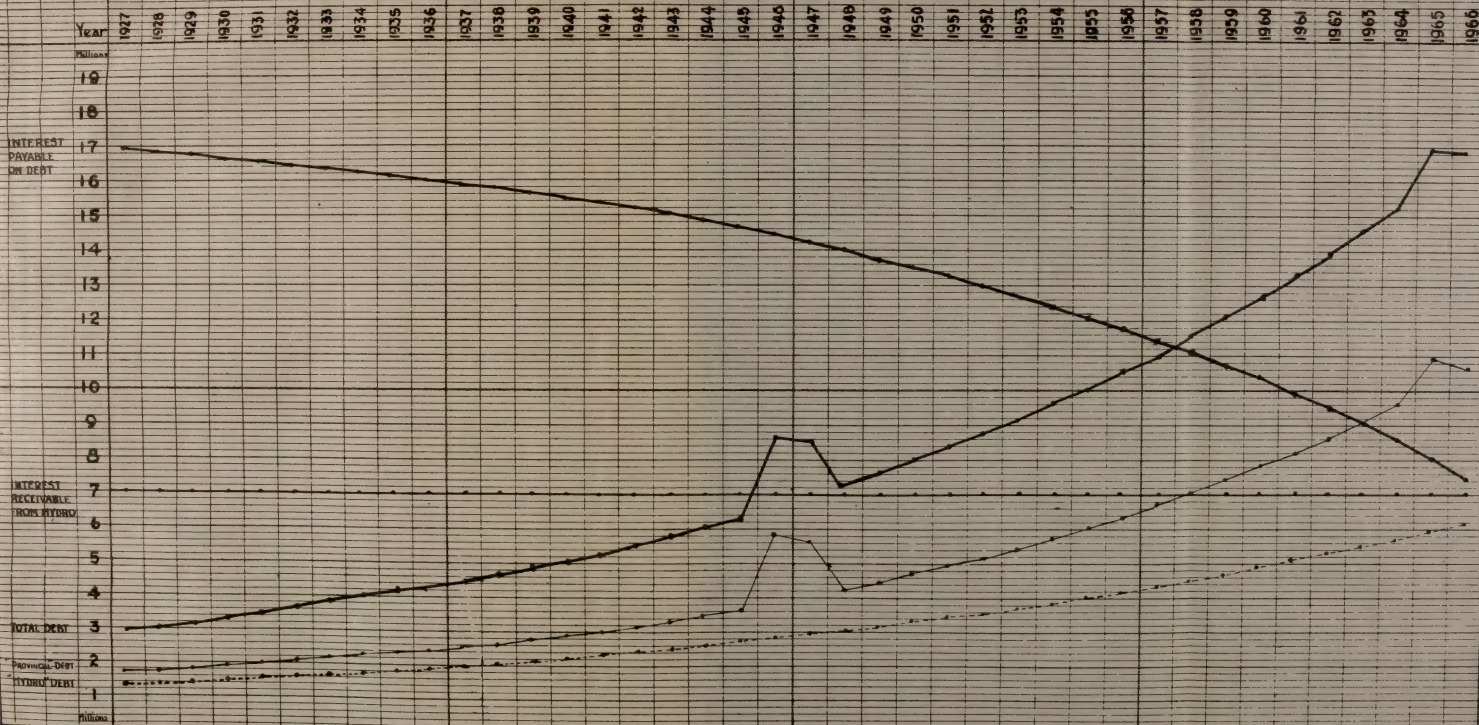
(e)

Method of Retirement of Present Debt held by the Public



(f)
DEBT RETIREMENT PLAN

CHART SHOWING AMOUNT OF DEBT TO BE RETIRED & INTEREST PAYABLE
EACH YEAR OVER FORTY YEARS





Government
Publications

Government
Publications

~~Ontario.~~ Treasury Dept.
~~Budget statement~~
~~1924-26~~

1924-26

Government
Publications

PLEASE DO NOT REMOVE
CARDS OR SLIPS FROM THIS POCKET

UNIVERSITY OF TORONTO LIBRARY

DECATALOGUED

